

Paper 0 - GLLEP Investment Board Agenda and Papers

Date and Time: Friday, 30th September 2016
Venue: Committee Room 3, Lincolnshire County Council

Item No	Item and Brief Description	Lead	Additional Information
1	Welcome and Introductions <ul style="list-style-type: none"> Apologies for Absence and Declarations of Interest Matters arising 	Chair - Ursula Lidbetter Ruth Carver	
2	Draft Minutes: 27 th May and 21 st July 2016	Ruth Carver	Papers 1.0 and 1.1
3	Growth Deal Update Growth Deal Programme Progress Report	Halina Davies	Paper 2 – For Decision Paper 2.1 – for information
4	SHIP Phase 2 – Humber Link Road Due Diligence Summary Report	Halina Davies	Paper 3 (attached) – for decision Paper 3.1 (attached) – for information
5	Invest and Grow Fund Update Report	Ruth Carver	Paper 4 (attached) – for information
6	Unlocking Rural Housing Update Report	Halina Davies	Paper 5 (attached) – for information
7	Any Other Business		

Confirmed Attendees: Ursula Lidbetter – Chair, Cllr Colin Davie, Baroness Liz Redfern, Richard Wills, Chris Baron

Accountable Body: Justin Brown

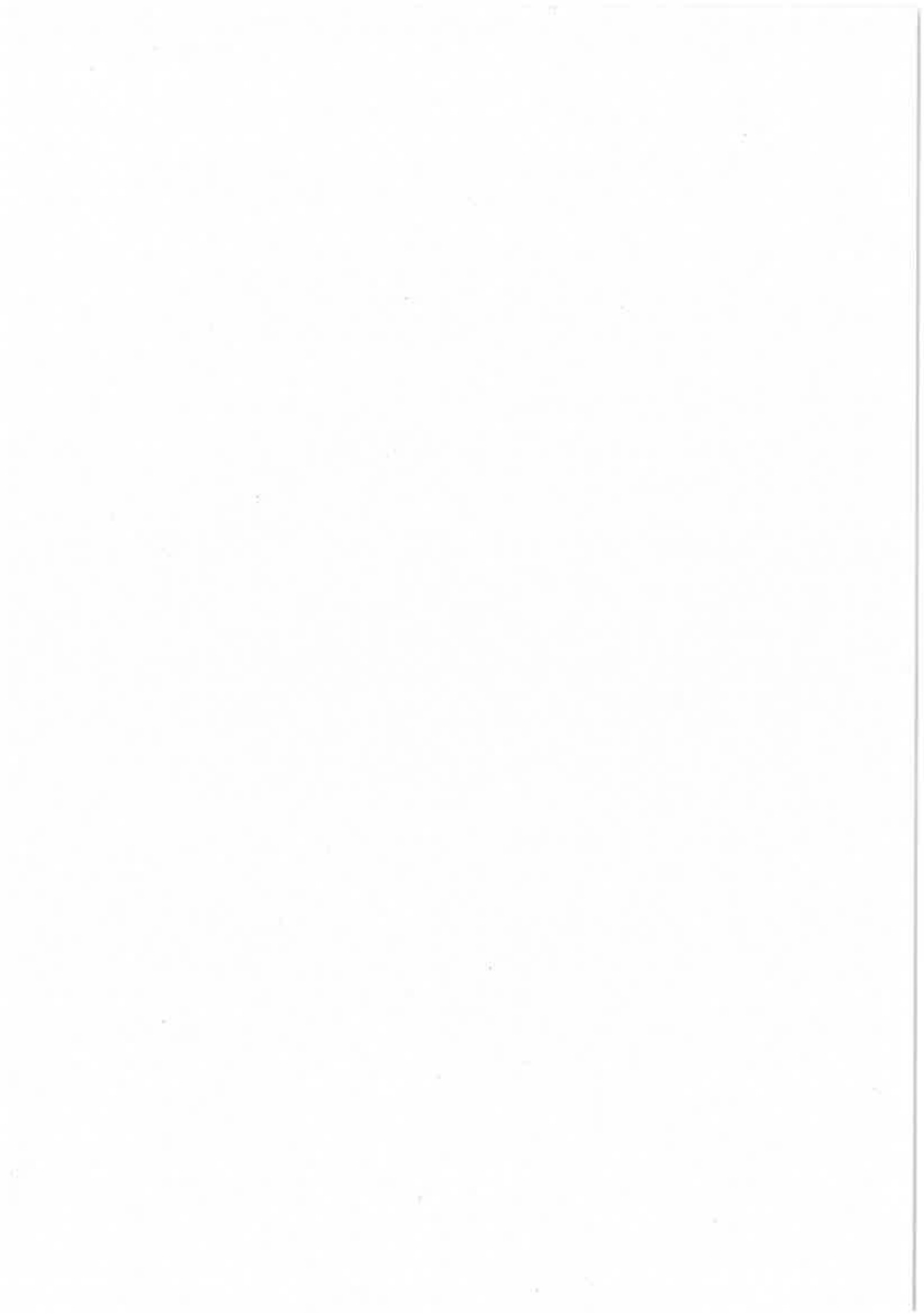
Officers: Ruth Carver, Halina Davies, Lindsay Hill-Pritchard
Pete Holmes


Apologies: MarkTinsley, Herman Kok, Cllr Ray Oxby, Cllr Peter Wheatley

<p><u>In attendance:</u></p> <p><u>Board Members:</u> Ursula Lidbetter (UL); Baroness Redfern (CllrR); Cllr Peter Wheatley (CllrW); Chris Baron (CB); Mark Tinsley (MT); Richard Wills</p> <p><u>Board Support:</u> Ruth Carver (LEP - RC); Pete Holmes –Cities & Local Growth Team (PH); Halina Davies – Items 2, and 3(HD); Cathy Jones for Item 4 (CJ); Pat Doody (PD) and Lindsay Hill-Pritchard (LHP) for Item 5</p> <p><u>Observers:</u> Vicky Wheelwright (BIS Local); Angela Blake (North East Lincs Council)</p> <p><u>Apologies:</u> Cllr Colin Davie; Herman Kok; Justin Brown</p>	<p>Actions</p>
<p><u>Welcome by the Chair – Ursula Lidbetter</u> The Chair welcomed everyone in attendance. It was noted that the Board could be regarded as quorate for all matters.</p> <p><u>Declarations</u> UL declared an interest in Lincoln Transport Hub CllrR declared an interest in Lincolnshire Lakes</p> <p><u>Minutes</u> Minutes of the last meeting were agreed as drafted and can be published on the website.</p>	<p>LEP Secretariat</p>
<p><u>Growth Deal Programme Update</u> A paper was circulated providing full updates on individual schemes.</p> <p>Greater Lincolnshire LEP achieved its 2015/16 target of £26.4m utilising the freedoms and flexibilities formally agreed with Government. The details relating to expenditure against each project are provided within Paper 2.1.</p> <p>Transport Majors – this was discussed at the LEP Board. Lincoln Southern Bypass was agreed as the project to be submitted for development funding; however the A15 remains a priority for Greater Lincolnshire despite not being ready for submission at this point in time. LEP officers will contribute to the development of the bid and will ensure that it is submitted by the deadline provided.</p> <p>UL declared an interest and left the Room.</p> <p>Lincoln Transport Hub – The full Business Case will be submitted to DfT early next week and the project will be discussed more fully at the next Investment Board meeting in July. Allocated Growth Deal Funding of £2m will be considered in addition to the retained £11m DfT Growth Deal funding. If approved, the project will be ready to move to contracting stage subject to ministerial sign off towards the end of July.</p> <p>HD informed the Board that the outputs have now been changed to tie in with the revised</p>	<p>HD</p>

<p>scheme, as presented at the January 2016 Investment Board. This has resulted in a reduced level of housing units. The footbridge over the railway that formed part of Phase 1 has been withdrawn and will form part of the delivery of Phase 2 in future years. Network Rail has written a Letter of Intent that they will carry out bridge improvement works in the next 2-3 years.</p> <p>UL Returned to the room.</p> <p>RC to send information regarding EU funding for Holbeach to MT.</p>	<p>RC</p>
<p><u>Lincolnshire Lakes</u> CllrR declared an interest and left the room.</p> <p>This Growth Deal 2 related pipeline project was allocated £2m of grant funding in January 2015 and the grant expenditure is forecast to be spent in 2016/17.</p> <p>The total estimated scheme costs are £4.7m and the funding from GLLEP would contribute to around 42% of the costs. The balance of funding at £2.7m would be from the Lucent Group in terms of a contribution towards Section 106 obligations.</p> <p>The entire site will deliver about 7,739 new homes and will accommodate a population of around 14,500 residents. The overall development is to be built within six villages, set beside 5 lakes (of which Lake 1 will be delivered through Greater Lincolnshire LEP investment, with a target for completion of March 2019). Lincolnshire Lakes has come forward for delivery after ten years of extensive feasibility and research, culminating in the site being included within the adopted Core Strategy and subject to a Lincolnshire Lakes Area Action Plan. Other partners working on the delivery of this infrastructure include the Environment Agency, Natural England, Gainsborough & Scunthorpe Water Management Board (IDBs), Severn Trent Water, ATLAS (Advisory Team for Large Applications, Lincolnshire Wildlife Trust and Humber LEP.</p> <p>MT asked whether flood mitigation measures have been put in place and HD responded that they form an essential part of the overall development and are being partly funded by the Humber LEP. Indeed the lakes are part of the wider sustainable development solution.</p> <p>Project Approved.</p> <p>LR returned to the room.</p>	
<p><u>Stokes – Invest and Grow Fund</u> Investment Board were asked to approve a £600,000 loan from the Invest & Grow Fund to R W Stokes & Sons Ltd (Stokes Coffee) in respect of the Lawn, Lincoln. This is for the refurbishment of part of the main building, consolidating activities within a new head office, wholesale, café, production/roasterie areas and managed business space. The scheme will also accommodate ongoing expansion of the business, particularly wholesale, along with additional onsite training and catering services. Refurbishment of the remaining building is to provide managed business space, ground floor retail and a performing arts venue. It is confirmed the performing arts venue will follow as a later phase of this project, once uses on site have been established. The scheme includes extension of the car parking facilities and reconfiguration of parking and landscape areas to enhance the profile of the site. The majority of car park spaces will be operated by City of Lincoln Council as a public pay and display car park. Planning permission has already</p>	

<p>been granted. Works will start on the site in August 2016.</p> <p>It was asked what would happen if more funding is required before the end of the 3 year loan period and the Board was informed that Stokes are already in talks with lenders to cover any necessary investment beyond this period.</p> <p>UL asked if there is a likelihood of an overspend. It was agreed that before funds can be released, more detailed costs would be required, and we would need to be assured that additional costs could be met by the applicants should they arise. It was also asked how they would receive the funding. CJ explained that they would only receive funding once a claim with supporting evidence had been received by our Accountable Body to show how the money had been spent.</p> <p>The Loan was approved for a period of 3 years.</p>	
<p><u>European Structural Investment Fund Growth Programme Update Report</u></p> <p>This paper provided Investment Board members with an update and highlighted progress to date on the ESIF programme.</p> <p>PD stated that there is an intention to achieve funds for LEP projects and that a certain amount must be spent by 2018.</p> <p>The Environmental Fund of £½m is untouched.</p> <p>MT and PD met with the DCLG team to discuss the slow processing and approval of projects and take up of funds in some specific areas. They welcomed the opportunity of an ESIF Committee earlier in the year to talk to DCLG, DWP and DEFRA officials about progress with EU funding programmes. The LEP has written to the Growth Programme Board to have an agenda item at their next meeting to raise concerns over the pace at which applications are approved. Other LEPs have also been contacted to see if they are having the same issues so that we can try to help understand/quicken the process, as it is a concern about the impact this will have on business confidence in the RU programmes if it takes around a year from when projects are submitted to being contracted.</p> <p>PD stated that there has been a visit from the EU Commission to see how things are done and one from DCLG to see how the programme is being managed.</p> <p>There have been two calls for activity since the ERDF programme has been launched. So far, two projects have been contracted from the first call launched in March 2015, which are both projects that will be delivering business support activity. These projects are Princes Trust "Better off in Business" and NBV Enterprise Solutions "Growing Enterprise".</p> <p>Workshops are to be held in order to advertising funding availability.</p> <p>PD informed the Board that the Broadband project is 95% complete.</p>	
<p><u>Any Other Business</u></p> <p>None.</p>	
<p><u>Date of Next Meeting</u></p> <p>21st July 2016.</p>	



 <p>Greater Lincolnshire Local Enterprise Partnership</p>	<p align="center">Greater Lincolnshire LEP Investment Board</p> <p align="right">21st July 2016</p> <p align="center">William the Conqueror Room, Lincoln Castle (Prison Building)</p> <p align="right">Paper 1.0</p>	
<p><u>In attendance:</u></p> <p><u>Board Members:</u> Ursula Lidbetter (UL); Cllr Peter Wheatley (CllrWh); Cllr Colin Davie (CllrD); Cllr Rob Waltham (CllrWa); Mark Tinsley (MT); Herman Kok (HK); Richard Wills (RW)</p> <p><u>Board Support:</u> Ruth Carver (LEP - RC); Halina Davies (HD); Lindsay Hill-Pritchard (LHP)</p> <p><u>Apologies:</u> Cllr Liz Redfern; Justin Brown; Pete Holmes</p>	<p align="center">Actions</p>	
<p><u>Welcome by the Chair – Ursula Lidbetter</u></p> <p>The Chair welcomed everyone in attendance. It was noted that the Board could be regarded as quorate for all matters.</p> <p><u>Declarations</u></p> <p>UL and HK declared an interest in Lincoln Transport Hub CllrWa declared an interest in Northern Junction</p> <p><u>Minutes</u></p> <p>Minutes of the last meeting will be presented for formal approval at the September Investment Board.</p>	<p align="center">LEP Secretariat</p>	
<p><u>Growth Deal Programme Update</u></p> <p>HD informed the Board that a further two Growth Deal Grant Funding Agreements have been signed – Grantham College and Lincolnshire Lakes.</p> <p>HD stated that there will be an underspend for the Grantham Southern Relief Road scheme due to a revised planning permission taking longer to achieve for Phase II and Highways England approval of line orders and diversion of a public right of way still being awaited, so it could be the end of September before the contract is awarded and at best a November start on site. A solution to the underspend will be provided in a paper at the next Investment Board meeting.</p>	<p align="center">HD/LHP</p>	
<p><u>Boston Quadrant</u></p> <p>Approval sought for £1,000,000 Single Local Growth Funding to facilitate development of 100 affordable housing units within Phases 1 and 2 of the Boston Quadrant development. Outline planning permission is in place and the Due Diligence Assessment provides a breakdown of the phases and details of the mix of affordable rent and shared ownership units.</p> <p>The approach adopted by GLLEP in relation to the Invest and Grow loan and the previous SLGF grant (public infrastructure) has preserved a balance of the scheme's outputs for this project. Outputs relating to apprenticeships and indirect jobs created have been claimed in full already with nothing to claim for this scheme. However, all 100 affordable housing units can be attributed to this project.</p>		

<p>This is a mixed use development being undertaken by a private developer. Particular attention has been paid to ensure that only eligible costs are included in the project appraisal, and to identify any potential for the commercial elements of the scheme to cross-subsidise delivery of the affordable housing. The Due Diligence Assessment has identified developer profits at levels significantly below standard industry rates. It has further demonstrated that there is no ability for the market housing to cross-subsidise the affordable dwellings; and that commercial development in this location is not anticipated to make development profit at a sufficient level to enable any cross-subsidisation to occur.</p> <p>HK queried the viability levels and how we can ensure that any changes are closely monitored. HD stated that the viability gap funding identified as part of due diligence in relation to mitigation of flood risk will be checked by the Accountable Body as the scheme progresses and claims are submitted, as per the remainder of the Unlocking Rural Housing Programme.</p> <p>CllrWh asked how often scheme progress reports were requested to enable confirmation of costs, LHP explained that this would be quarterly.</p> <p>HD stated that all outcomes and outputs will be reported at the end of the project delivery.</p> <p>Project Approved.</p>	
<p><u>CllrD returned to the meeting</u></p>	
<p><u>CllrWa declared an interest and left the meeting</u></p>	
<p><u>Northern Junction Roundabout</u></p> <p>Approval was sought from the Investment Board to proceed to contracting on Northern Junction Roundabout scheme in Scunthorpe.</p> <p>At the January Investment Board, members were asked to endorse "in principle" the proposal to reallocate £2.9m of growth deal funding from Berkeley Circle to Normanby Enterprise Park 7 and Northern Roundabout infrastructure enhancements, adjacent to the new football ground location and north of Lincolnshire Lakes. The Due Diligence appraisal provided for consideration applied to the second of these projects and £1.9m of Growth Deal grant.</p> <p>The Northern Junction works, along with those to be undertaken by NLC/Highways England include:</p> <ul style="list-style-type: none"> • A terminating junction to be created in the vicinity of Brumby Common Lane over-bridge, with new infrastructure to some villages 1 to 5 to be delivered by Lucent over land forming part of their comprehensive land ownership. • The creation of a new east-west link running from the terminating junction to Scotter Road, being the cornerstone of the masterplan for the wider Lincolnshire Lakes scheme and allow Scunthorpe United to develop the site. • Construction of the new roundabout. • De-trunked M181 • Works to retained section of M181 to reduce speed limit. <p>The primary objective of the proposed works, in addition to servicing the Lincolnshire Lakes wider development, is:</p>	

<ul style="list-style-type: none"> • To encourage safe and efficient dispersal of vehicle movements into the local highway network, with natural resilience in the local route network with a choice of routes available for key destinations. • Divert traffic away from the Doncaster Road/Berkeley Circle junction, providing sustained and much needed congestion relief. • Provide a deliverable solution as the junction is located on land that is in a single landowners responsibility, who is supportive of the Council aspirations for the Lincolnshire Lakes Area and is prepared to provide the land for free to implement the junction. <p>This is a strategically important project that will have a clear economic impact and will enable further significant private sector investment in the area.</p> <p>HD to clarify to members the position of the de-trunking of the M181.</p> <p>Project approved.</p>	<p>HD to email</p>
<p><u>CLRWa returned to the meeting</u></p>	
<p><u>UL and HK declared an interest and left the meeting. MT took over as Chair</u></p>	
<p><u>Lincoln Transport Hub</u></p> <p>Approval sought from the Investment Board to proceed to contracting on the Lincoln Transport Hub scheme subject to DfT Ministerial approval of the project.</p> <p>Following the re-design of the scheme in November 2015 when the cost of a new railway bridge design proposal from Network Rail made the existing scheme undeliverable, a revised scheme was submitted to DfT on 6th June 2016. The DfT appraisal process is well underway and a ministerial decision on whether or not the scheme will be supported is expected in late July. The business case includes strategic, economic, financial, commercial and managerial details and will be subject to rigorous analysis. Full due diligence appraisal has also been carried out on behalf of the LEP.</p> <p>CD asked whether SLGF would be funding retail and housing. HD stated that whilst some housing and retail elements are linked to the bus station development, SLGF will not be funding the delivery of the employment Block A or the multi-storey car park.</p> <p>HD said that an initial state aid report has been received from COLC and that our external appraisers did not envisage any issues as GLLEP have no input into the car park part of the scheme. A further report on state aid in relation to SLGF is however still awaited from COLC and will be included as a condition if not provided by the time the grant funding agreement is signed.</p> <p>Project approved.</p>	

<u>Any Other Business</u> None.	
<u>Date of Next Meeting</u> 21 st July 2016.	

Recommendation: A Paper for Decision

The Investment Board is asked to approve the recommendation within the paper to manage SLGF programme slippage.

Growth Deal Programme

Current Position

The SLGF Programme target for 2016/17 has now been increased from £39.9m to £47.9m as a result of the Lincoln Transport Hub Scheme being formally approved by DFT on the 16th August 2016. Good news for Lincoln and Greater Lincolnshire, but this increases our target spend with six months to go before year end.

The programme is currently forecasting a likely slippage of £11.9m for 2016/17, £7.6m of which relates to the Grantham Southern Relief Road Scheme as discussed at the last investment Board. It is important therefore that the LEP determines and agrees how it will ensure that requirements in relation to expenditure, delivery and outputs are realised, albeit with some unavoidable delays.

Grantham Southern Relief Road Position – Significant Delays

Though Phase 1 is now complete, plans originally provided by the landowners to the District Planning Authority on Phase 2 were not deliverable and this resulted in a new planning permission being sought. Permission was given by the planning authority in June 2016, a delay to the scheme of six months.

LCC are required to receive approval from Highways England (HE) for any design which is below the normal standards (Departure from Standard) and the revised design for the A1 junction and diversion of public right of way was submitted to them several months ago. The HE process requires the use of external consultants which has proved not to be seamless. Some approvals have been confirmed, but others are still outstanding. So far this has taken three months. Following this process LCC then have to receive a formal approval of their final design. This has been with HE for a couple of months, and to date LCC have received no indication as to when the decision might be concluded. Once the decision is in place, LCC will need to formally publish their statutory orders. Phase 3 could potentially overlap with the delivery of Phase 2, however the main construction works for Phase 3 have also been delayed by Network Rail (NR) regarding related bridge works. Decisions from NR are still awaited following several meetings and discussions. There is also a difference of opinion in relation to a NR ransom strip and expectations regarding clawback provisions.

Forecast programme slippage to date is shown in the table below.

Scheme	SLGF Forecast 1 April 2016 £m	Revised SLGF Forecast September 2016 £m	Slippage £m	Reason
Grantham Southern Relief Road	12.6	5	7.6	Highways England Line Orders/Public Right of Way; Network Rail negotiations; Planning requirements

Lincolnshire lakes	2	1	1	Environment Agency review timescales; Planning agreement of technical design;
SHIIP	2.7	2.4	0.3	Humber Link Road has taken longer to get through detailed design stages
Grantham College STEM Building	2.3	1.3	1	Project taken longer than envisaged to reach procurement stage - delayed start on site
Lincoln Transport Hub	9.5	8.5	1	DFT Approval took longer than originally envisaged - project start delayed
Northern Junction Roundabout	1.9	0.9	1	Change of Applicant; Contractual agreement with recipients still to be signed
		Total Slippage	11.9	

Mitigation Proposal

In order to ensure that growth deal programme targets for this financial year are met completely, a number of mitigating measures have been explored by LEP Officers and the Accountable Body. The preferred approach would be to maximise progress and bring forward existing growth deal schemes to cover the slippage identified, however having thoroughly explored this option we are very limited in what can be done in this regard. Officers have therefore looked at alternative measures utilising LEP freedoms and flexibilities and would like to recommend the following approaches to Investment Board for endorsement:

- **Increase intervention rates** – we could look at increasing the growth deal claim amounts for 2016/17 for some schemes and reconcile the match funding amounts in future years.
- **Arrange for more LCC Capital offset** – Our Accountable Body has confirmed that currently up to £7m could be spent against LCC capital projects in 2016/17 if necessary.
- **Rewarding good performance** – some promoters are providing excellent claim and progress information, hence it would be possible on risk based approach to release growth deal allocations to these scheme promoters to manage directly, reconciling amounts with each future claim to the LEP.
- **Make advance payments to contracted schemes** – this would be a risk based approach with a clear rationale and an agreed timeframe for expenditure incorporated contractually. It would:
 - Resolve complexities of cash flow
 - Enable more effective project management
 - Simplifying claims where more than one funder is involved i.e. ERDF
- **Releasing annual grant allocations to contracted schemes** – This would be for large funding allocations where due to the level of complexity involved in each claim and each stage of the project, perhaps introducing an annual claim process with again a risk based approach would make more sense.
- **Delay repayment of existing capital offset in 16/17** – at the moment we are only going to reduce the LCC Capital offset by £0.3m so it would not create much impact.

The impact on the SLGF programme of utilising the above approach is demonstrated in the table below and in Paper 2.1. This approach has been discussed with the Cities and Local Growth Team.

Project	SLGF Original Forecast 16/17	Current Position	Proposed Forecast 16/17	Suggested Slippage Mitigation Measure Applied
Bishop Burton College Riseholme	1.2	1.2	1.2	None
Boole Technology Centre	1.7	1.7	1.7	None
Tentercroft Street Growth Corridor	0	0	0	None
Unlocking Rural Housing Programme	3.3	3.3	3.3	None
Lincolnshire Lakes	2.0	1.0	2.0	Advance Payment £1m
Boston Quadrant	3.9	3.9	3.9	None
Grantham College	2.3	1.3	2.3	Advance Payment £1m
Go Skegness	2.0	2.0	4.0	Rewarding Good Performance £2m
Skegness Countryside Business Park	1.5	1.5	2.7	Advance Payment £2.1m
Grantham Southern Relief Road	12.6	5.0	5.0	Increase Intervention Rates
Lincoln Transport Hub	9.5	8.5	8.5	None
Northern Roundabout Junction	1.9	0.9	0.9	None
Normanby Enterprise Park Site 7	1.0	1.0	1.0	None
SHIIP	2.7	2.4	2.4	Increase Intervention Rates
Access to Employment Zones	1.9	1.9	1.9	None
Agri Food Centre of Excellence	0.4	0.4	2.4	Rewarding Good Performance £2m
Holbeach Peppermint Junction	0.0	0.0	2.4	Advance Payment £2.4m
	47.9	36	45.6	
			2.3	LCC Capital Offset Required
Total			47.9	

Annual Government Targets

The table below gives an overview of the programme annual targets as they currently stand and when LCC Capital offset (existing and proposed) will be reconciled. The risk based forecast shown below takes into account what officers feel might potentially be the slippage figure by the end of 16/17 if additional schemes do not fully achieve their target. We would use increased intervention rates or capital offset to manage any further slippage identified.

SLGF Overview							
Year	SLGF Target (includes LCC capital monies owed to GD)	LCC Offset Reconciled	Revised project SLGF Target		SLGF	Slippage Being covered	Total
15/16	26.4	0	26.4	Actual	17.9	8.498	26.4
16/17	48.2	-0.3	47.9	Forecast	36	11.9	47.9
				Risk Based Forecast	35.3	13.6	47.9
17/18	17	-8.2	8.8	Forecast	8.8	0	0
18/19	5.5	-2.3	3.2	Forecast	3.2	0	0
19/20	4	0	4	Forecast	4	0	0
20/21	3.9	0	3.9	Forecast	3.9	0	0
Total	105	-10.8	94.2				

Managing Risk

We recognise that where schemes are yet to be contracted a higher risk to achieving growth deal targets must be attributed. If all of these schemes remained unsigned the gap would be significant. Contractual funding agreement negotiations have been varied in length to date and can take anything from a couple of weeks to several months to resolve.

It is also important that the Board considers what action it might want to take with schemes that have taken longer than expected or performed poorly to date on providing information for due diligence, progressing contracts, providing claims or submitting progress reports. What can be done to avoid these situations in the future and to what extent can poor/excellent performance impact on future funding decisions. Certainly SLGF3 allocations we be based on LEP performance and this is a concern if individual project delays continue to increase programme slippage and tarnish Greater Lincolnshire's reputation in relation to delivery.

Poor performance by applicants could be managed as follows:

- Clear deadlines provided for signing contracts – otherwise the funding is reallocated to another project (unless a very valid reason for the delay is provided).
- If more than three claims are deemed to be very poor, the funding position is reviewed and the project could lose its funding and have to repay what has already been received to date.
- If due diligence information is chased and not provided within an agreed timeframe the project is not considered for approval until the following Investment Board.

If the above mix of mitigation measures with regard to SLGF slippage and performance measures is approved by Investment Board, officers will update the Greater Lincolnshire LEP Assurance Framework with the following section:

Advanced Payment of Grant to Contracted Schemes

Greater Lincolnshire LEP accepts that projects can experience cash flow difficulties in the early stages of delivery. Projects that have been through due diligence approval and which have contractual funding agreements in place are able to seek acceleration of funding to enable more expedient delivery and project management. Funding is for eligible capital works (only related to the project) as contractually agreed. The advanced payment of grant funding can only be sought if additional funding is available within the year of the request.

The funding will initially be treated as a loan and will be fully refundable, including interest if:

- 1. The scheme is not fully delivered or changes significantly.*
- 2. The project does not spend and verify the entire loan amount through the claims process within an agreed contractual timeframe.*

In order to request the Advanced Payment of Grant the scheme promotor will be required to provide a detailed proposal to the LEP and Accountable Body explaining why the payment is needed. Officers will then present the case to the LEP Investment Board for a formal decision.

The same approach would apply in relation to releasing annual grant allocations to projects; however in addition, more frequent monitoring meetings would have to be in place with both the Accountable Body and the LEP to ensure compliance and acceptable progress.

Should the LEP decide that sufficient progress is not being made to repay the advanced payment within the timescales agreed, claw back of grant would be invoked.

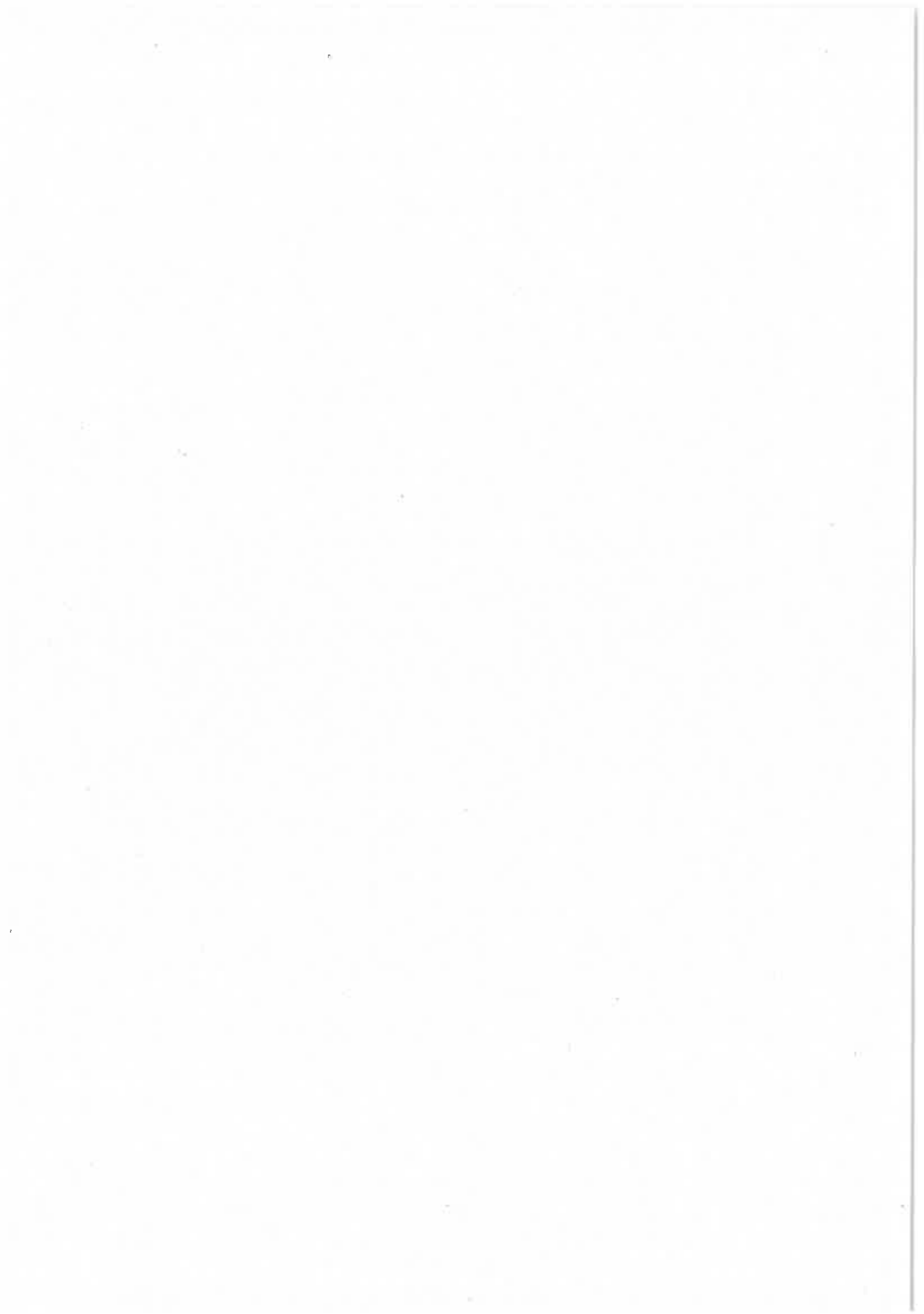
In addition to standard LEP liaison with project leads, the Accountable Body has already begun a series of monitoring visits responding to situations where claim information has been delayed or in some cases lacking, and the LEP has set up more regular face to face discussions with schemes that are experiencing delays/issues,

offering support as necessary.

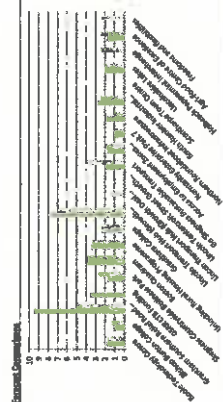
Our Accountable Body has also been through three individual audits in relation to SLGF over the last few months, two external and one internal and all had a very positive outcome.

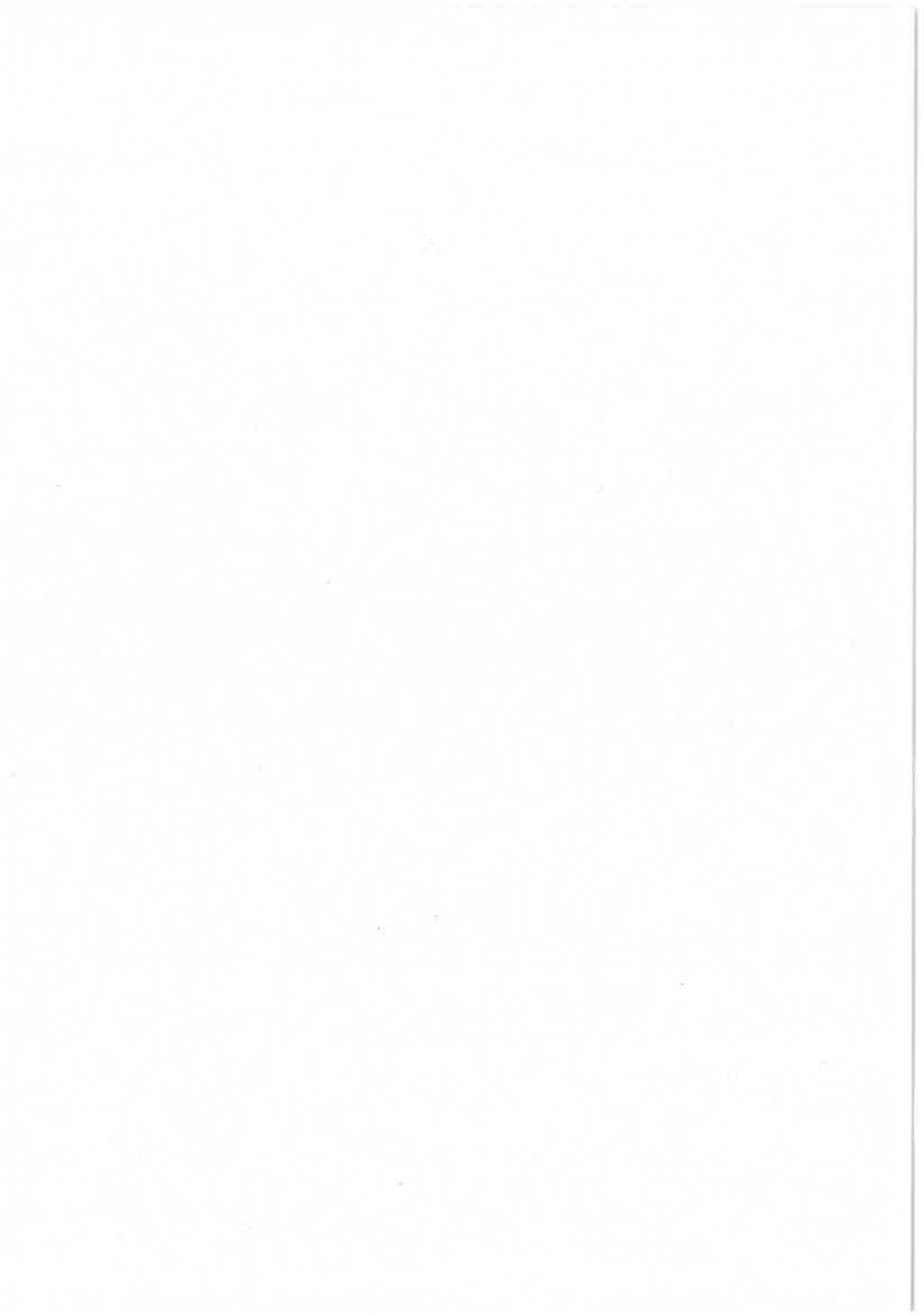
Recommendation

It is recommended that the various mitigation measures for SLGF 2016/17 slippage and performance related measures be formally endorsed by the Investment Board, enabling LEP officers to make accountable decisions as per the Assurance Framework.



Growth Deal Programme Progress Report August 2016

[illegible][illegible][illegible]



Recommendation: A paper for decision

A decision for approval to proceed to contracting on SHIP Phase 2 (Humber Link Road) is required from Investment Board.

Background Information

The proposed Humber Link Road will connect Moody Lane with Hobson Way providing direct access between Grimsby and Immingham Ports. This is the second phase of this North East Lincolnshire scheme, the first of which for Strategic Mitigation sites (£2m) was approved to contracting in March 2016. The project will greatly improve site accessibility to the adjacent Great Coates Industrial Park (also known as the 'Humber Gate') which has consent for 98,000 m². In addition to improving access to a strategic Enterprise Zone site on the South Humber Bank, the proposed Link Road will reduce congestion on the A180 and enhance its attractiveness to potential occupiers and investors. The developer will transfer ownership of the land required to construct the Link Road to the Council. On completion, the Humber Link Road will be adopted by North East Lincolnshire Council.

It is worth noting therefore, as highlighted in the due diligence report, that there is no statutory or planning requirement for the owners of the development land to construct the new access. Alternative means of access can be provided by way of a private gated road, which would remain in private ownership and would not be to adoptable standards. The proposed developer contribution to the Link Road scheme is therefore to transfer the land to the Council at zero cost, effectively discharging the developer's liabilities in relation to mitigation of the traffic impacts associated with the scheme.

The Project

The works being directly supported by SLGF 3 would be as follows;

- Construction of a single carriageway link between the Hobson Way Roundabout and Moody Lane/Woad Lane junction, including the construction of a new section of road and the upgrading of the existing Moody Lane.
- An additional 2.5 metres of footpath/cycleway on the northern extent.
- Moody Lane/Woad Lane junction to be upgraded to include the construction of a new roundabout.
- A new carriageway linked to Hobson Way via a new bridge over Oldfleet Drain, and the east arm of Hobson Way Roundabout to be realigned.
- Diversion of existing public utilities, culverting of existing water courses and upgrading and re-provision of new street lighting.

The planning application is programmed to be submitted in November 2016 with approval expected in February 2017. The procurement process is also anticipated to start in January 2017 with a contractor being appointed in March 2017. Completion of the scheme will be in September 2018.

The main objectives and benefits of the proposed scheme are:

- Increasing the capacity, capability and competitiveness of the Humber Energy Estuary.
- Supporting the attraction of inward investment to North East Lincolnshire in key sectors including manufacturing, engineering and logistics/distribution
- 1,030 gross FTE direct jobs created over a 25 year period through development of the Great Coates Industrial Park/Humber Gate site
- Direct and indirect jobs created as a result of construction of the road;
- Improved accessibility to accelerate development of a key Enterprise Zone site on the South Humber Bank.
- Travel time savings (hours per day) and annual journey time productivity savings;
- Reductions in the cost of accidents and casualties;
- Stimulation of inward investment; and
- A step change in highway connectivity between two major UK ports.

The Ask

SLGF is sought at £2 million, against total scheme costs of £6,516,971. The funding applied for from GLLEP will contribute to around 29.8% of scheme costs. The balance of funding at £4,516,971 will be from North East Lincolnshire Council (NELC). Council match funding for the SHIP Programme was approved by Cabinet in January 2016 and is confirmed.

Funding towards the construction of the road from other landowners and occupiers of the site would need to be through Section 106 contributions; however at present there is no ability to procure any such contributions through current planning applications submitted. NELC have confirmed that wherever possible, where planning applications are submitted, contributions towards the enhanced highway network and its future maintenance will be sought.

Outputs/Outcomes

The outputs in the longer term are very good to excellent value for money as due diligence appraisal has confirmed; however the number of jobs created and amount of commercial floorspace being achieved by 2020/21 are significantly lower than what was originally estimated at the time SLGF funding allocation in early 2015. The table below shows the outputs/outcomes the project will deliver.

Core Outputs	2017/18	2018/19	2019/20	2020/21	Future Years	Total
Public Investment levered (NELC)	£516,971	£4m				£4,516,971
Private Investment Levered (construction of floorspace)			£5m	£5m	£29.6m	£39.6m
New Jobs (net)			26	27	977	1,030
Local Strategic Outputs	2017/18	2018/19	2019/20	2020/21		Total
Commercial floorspace constructed sq.m			2,300	2,300	87,560	92,160
GVA Uplift			£794,335	£794,335	£39.62m	£41.2m
Outcomes	2017/18	2018/19	2019/20	2020/21		Total
KM of new road		1				1
Construction jobs	4	46				50

Conditions arising from Due Diligence Appraisal

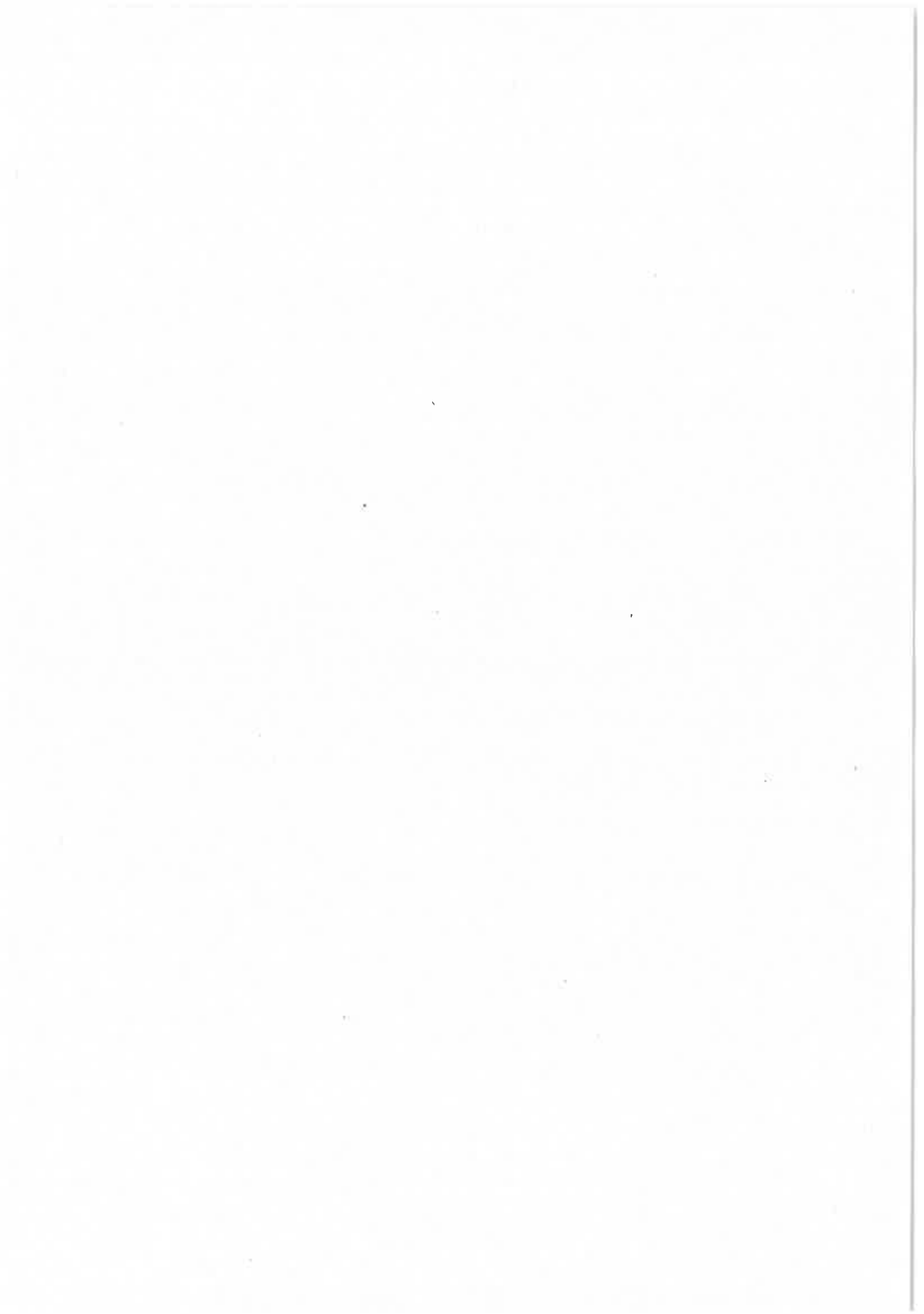
The delivery of the project is dependent upon terms being finalised with Humber Land in relation to the gifting of the Link Road land clawback arrangements.

The offer of £2m SLGF funding is recommended subject to the following conditions:

- NELC provide detailed and final costings for the works following completion of the tendering process to verify or otherwise the actual amount of SLGF funding required, subject to a cap of £2 million. The tender report to demonstrate that queries in relation to costs and need (or otherwise) to provide drainage within the Link Road have been addressed.
- NELC confirm total costs to GLLEP once these have been through the detailed design and competitive tendering process. NELC also to confirm that any additional cost increases over current estimates have the ability to be met by NELC so that the works can still proceed in such circumstances.
- A Red Book Valuation to be provided to ascertain the uplift in value accruing due to the construction of the Link Road.
- NELC to provide written evidence of terms agreed for the acquisition of the land required for the construction of the Link Road.
- NELC to provide written confirmation and justification in state aid terms of any clawback arrangements agreed with Humber Land before a funding agreement is signed in relation to SLGF.
- GLLEP to be updated in relation to the progression of this scheme and at the appropriate time to be provided a detailed programme for delivery. The programme for delivery is to include timescales for completion of the works.
- NELC to provide an updated profile for drawdown of SLGF funding over the life of the project.
- NELC to Confirm that all required land has been assembled to enable implementation of the works as proposed, prior to drawdown of any SLGF funding.

Recommendation

It is recommended that £2m of SLGF be approved by the Investment Board towards the SHIP Phase 2 – Humber Link Road scheme, and that subject to certain conditions being met as identified above, the project can proceed to contracting.





Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Single Local Growth Fund

For

**SHIIP Phase 2 - Humber Link Road
Grimsby
Lincolnshire**

21st September 2016

Paper 3.1

CONTENTS

	Page No.
1.0 PROJECT SUMMARY	2.
2.0 FUNDING SOUGHT	4.
3.0 KEY ISSUES	5.
4.0 PROJECT APPRAISAL	6.
5.0 MECHANISM FOR INVESTMENT AND STATE AID	9.
6.0 OUTPUTS AND VALUE FOR MONEY	10.
7.0 CONCLUSIONS	12.
8.0 RECOMMENDATIONS	13.

APPENDICES

I	LOCATION PLAN
II	LINK ROAD PROPOSAL

1.0 Project Summary

Summary

- 1.1 North East Lincolnshire Council (NELC) have submitted an application to GLLEP seeking funding to contribute towards the construction of the proposed Humber Link Road, which will connect Moody Lane with Hobson Way on the South Humber Bank.
- 1.2 The section of proposed highway is required in order to open up a strategic Enterprise Zone (EZ) site with consent for 98,000 sq.m. of employment development. The Link Road will also provide an alternative route to the A180 between the Ports of Immingham and Grimsby, thus significantly increasing wider network capacity, alleviating congestion issues and reducing journey times.
- 1.3 The roadway will extend over a kilometre, comprising a single carriageway road and effectively linking the Immingham Docks, 3.2 km to the west of the Link Road, with Grimsby Docks, around 4.8 km to the east.
- 1.4 The cost of constructing the road is estimated to be in the region of £6,516,971, of which £2 million is being sought from the Single Local Growth Fund (SLGF). The Council are to meet the costs of the balance of the road, with the land upon which the road is to be constructed to be vested at nil value by the owners of the adjoining Humber Gate Business Park and designated EZ site.
- 1.5 *A location plan is attached at Appendix I.*
- 1.6 This project is deemed as strategically and economically important for the growth and expansion within North East Lincolnshire, including Grimsby, which has been identified as one of the towns within the Council's Growth Strategy. Grimsby is identified for major employment and housing growth, along with significant sub-regional retail and an office centre.
- 1.7 The Ports of Grimsby and Immingham are also targeted for continued investment and it is therefore fundamental that the necessary infrastructure is in place in order to align with other investment plans.
- 1.8 Growth and expansion of these strategically important sites is dependent on major infrastructure being in place in order to accommodate the scale of development proposed.
- 1.9 The Humber Link Road therefore forms part of a package of infrastructure projects within Grimsby and the surrounding area, which collectively and individually will enable constrained sites to be unlocked, delivering significant enhancements and increased capacity within the existing highway network.
- 1.10 The Humber Link Road will provide new and enhanced access arrangements to major new employment sites within the Humber Gateway, particularly the EZ, increasing prospects for development and new investment to be secured to these sites, which are currently constrained by poor infrastructure and access arrangements. Inadequate infrastructure has been identified as a major deterrent to take up of land on the EZ site in particular.

1.11 The works specifically to be undertaken are detailed as follows;

- Construction of a single carriageway link between the Hobson Way Roundabout and Moody Lane/Woad Lane junction, including the construction of a new section of road and the upgrading of the existing Moody Lane.
- In addition to the carriageway there will be an additional 2.5 metres of footpath/cycleway on the northern extent.
- Moody Lane/Woad Lane junction to be upgraded to include the construction of a new roundabout.
- The new carriageway will be linked to Hobson Way via a new bridge over Oldfleet Drain and the east arm of Hobson Way Roundabout to be realigned.
- The works will require diversion of existing public utilities, culverting of existing water courses and upgrading and re-provision of new street lighting.

1.12 The new link road will therefore replace existing private access over the Blue Star Fibre Site before tying in with the existing layout on Moody Lane.

1.13 *A copy of the Link Road Proposal is attached at Appendix II.*

1.14 It is confirmed that although the land for the new link road is in private ownership being Humber Land, who own the Humber Gate Industrial Park (Great Coates Industrial Park) there is no statutory or planning requirement requiring the owners of the development land to construct the new access. Alternative means of access can be provided by way of a private gated road, which would remain in private ownership and would not be to adoptable standards.

1.15 The proposed developer contribution to the Link Road scheme is therefore to transfer the land to the Council at zero cost, effectively discharging the developer's liabilities in relation to mitigation of the traffic impacts associated with the scheme. It is intended however; that clawback arrangements will be put in place with Humber Land to share in capital receipts once an agreed level of receipts has been recovered by the landowner, commensurate with their investment in the site to date. This matter is detailed further within Sections 4.0 and 5.0 of this report.

1.16 It is also noted that the works as proposed, will provide significant benefits to a much wider area and recipients beyond the landowners of the employment land and occupiers of these sites. Clearly both the Grimsby and Immingham Docks will benefit from the project as well as other business occupiers at other sites including Europarc who will benefit from reduced congestion on the A180.

1.17 Commuters on the A180 between the Stallingborough Interchange and Pyewipe will also have reduced journey times through alleviating congestion, particularly as this road and many of its junctions in the area are currently exceeding capacity.

1.18 Residents within these surrounding areas and those travelling to and from employment sites and to the Ports, will also have reduced journey times.

Programme

- 1.19 The initial scheme design completed in July 2016 and since that time further feasibility work was commissioned in order to provide sufficient information to enable preparation of the planning application. This feasibility work is due to be completed by the end of September 2016.
- 1.20 The planning application is programmed to be submitted in November 2016 with approval expected in February 2017.
- 1.21 In advance of planning approval being secured, the detailed design work will be progressed and is anticipated to be completed by January 2017. The procurement process to select a contractor is anticipated also to start in January 2017 with the contractor appointed in March 2017 and a physical commencement of works on site in May 2017.
- 1.22 The works are anticipated to take 12 months to complete, anticipated to be May 2018, with financial completion of the project in September 2018.
- 1.23 It is noted at present that the terms are yet to be concluded with the landowners and negotiations are ongoing in this respect. The negotiations in relation to the land are to be supported through the provision of Red Book Valuations and these issues are detailed later within this Due Diligence report.
- 1.24 As a condition of SLGF funding, it is recommended that NELC be required to provide a copy of the land transfer agreement once terms have been agreed.
- 1.25 In terms of programme however it is not anticipated that concluding the land acquisition agreements and valuation process will impact on delivery of the scheme, given that these matters are at an advanced stage.

Procurement

- 1.26 The appointment of consultants, including the appointment of ENGIE as the Council's Outsource Regeneration Delivery Partner, have been undertaken following a full and open procurement process in 2010, wholly in compliance with EU Procurement Regulations and UK Public Contracts Regulations that were in place at the time of the various appointments.
- 1.27 All future procurement activity, including the appointment of the main contractor for the works, will be in full compliance with the EU Public Sector Procurement Directive 2014 and the Public Contracts Regulations 2015.

2.0 Funding Sought

- 2.1 As noted, project costs are estimated to be £6,516,971, which £2 million is being sought from SLGF.
- 2.2 The Council have Cabinet approval in place for the balance of capital funding required to meet project costs at £4,516,971.

- 2.3 The SLGF funding applied for is a grant to contribute towards 29.8% of capital project costs in order to deliver the new link road.
- 2.4 The funding referred to above, does not include the value of the land which is to be gifted at nil cost to NELC upon which the road will be constructed. The value of this land is subject to the Red Book Report & Valuation and the position in this regard is detailed within later sections of this report.
- 2.5 In terms of the ability to secure other sources of funding towards the construction of the road from other landowners and occupiers of the site, primarily this would need to be through Section 106 contributions.
- 2.6 NELC have confirmed that wherever possible, where planning applications are submitted, contributions towards the enhanced highway network and its future maintenance will be sought; however at present there is no ability to procure any such contributions through current planning applications submitted and neither can a request for contributions be made retrospectively in this regard.
- 2.7 Therefore at this time, investment secured for the delivery of this scheme is from NELC, GLLEP and the owner of Humber Gate through the gifting of land (subject to negotiations being concluded).

3.0 Key Issues

- 3.1 A number of key issues have been identified within this Due Diligence, which are summarised below as follows;

- i. Discussions have been held with the NELC team along with review of information, to ensure that the new link road to be constructed will comprise part of publicly adopted highways network, freely available to all and not therefore specifically benefiting a single or selective number of beneficiaries.

The Council have confirmed that the completed section of the link road will be adopted and thus forming part of the strategic highway road network.

- ii. Additional supporting information was requested from NELC including additional survey and design information, along with drawings identifying the extent of construction works for the link road.

This has been received and reviewed by Fusion Building Consultants as part of the construction cost due diligence.

- iii. Funding of the Road - It was raised with NELC whether the owner of the Humber Gate Enterprise Zone site could reasonably meet the costs of constructing part or all of the link road and associated junction improvements, given that it may be deemed these works will effectively open up their land and facilitate subsequent development and disposal for which they will benefit through receiving capital receipts.

NELC have advised through extensive negotiations with Humber Land, that the developer has already invested significant funds in the region of £7

million in bringing forward the site in terms of infrastructure and land. As a business, Humber Land are required to recover the cost of this investment.

NELC advise that to impose the cost of providing the link road at circa. £6.5 million, in addition to investment already made by Humber Land, would render the scheme non-viable.

In addition, the current planning consent for the Humber Gate Business Park provides an outline approval for the link road; however this would not be public infrastructure but would be a private gated road. Furthermore the planning consent does not require the additional improvement works to be undertaken to the wider highway network and therefore the link road as currently proposed, along with all the benefits that this would deliver, would not be constructed by Humber Land.

On this basis, businesses on the Humber Gate Estate along with any new occupiers would have the benefit of the existing access from Moody Lane; although as noted this is substandard given the scale of development that can be accommodated on the site and the nature of major investment that is hope to be attracted to the site given its EZ status.

- iv. State Aid Consideration - Concerns were raised with NELC in respect of state aid given the limited private sector contributions secured to contribute towards the cost of the road and in context with those landowners and businesses, who will benefit from construction of the link road.

This matter is discussed further within Section 5.0 of this report; however it is demonstrated that the link road as proposed will form part of a strategic highway network for the Borough and thus is public infrastructure.

As the road is therefore public infrastructure, it will be freely open to all to use and provides strategic public benefit, delivering significant improvements to the wider highway network and the wider community within the Borough.

As noted, Humber Land as owners of Humber Gate are also contributing to the project through gifting of the land to the Council at nil cost.

- v. Land Ownership - NELC have confirmed that all land required to accommodate the link road and other highway works improvements are either within land for which terms have been agreed with Humber Land or exist as highway land. On this basis there should be no requirements for the acquisition of any other third party land in order to deliver the scheme.

4.0 Project Appraisal

- 4.1 The project appraisal has been completed in accordance with consideration of the key issues detailed with Section 3.0. We would summarise our appraisal as follows;

- i. Land Value – A desk top Valuation has been prepared by JLL in relation to the land in the ownership of Humber Land, to be gifted to the Council for the construction of the new road.

However; on review of this report it is stated that the report is confidential to the party to whom it is addressed, being ENGIE and that the advice within the report is for the sole use of the party to whom it is addressed, is intended to be indicative, and for general guidance only. The report goes on to state that the advice must not be relied upon in whole or in part by any person for any purpose.

The report further states that the subject land is in reality only suitable for continued use as an access road and as such does not have any real value on the open market. On this basis the market value for the freehold interest in the subject site is deemed to be nil.

Therefore if the value of the road land is assumed at nil, this represents the level of contribution from Humber Land, which clearly in the context of the scheme is not reflective of the significant enhancements and benefits that will be delivered through the construction of this road.

It is also noted however; that if the cost of constructing the new link road were to be imposed on Humber Land in their entirety, it would be likely to increase costs to such a level that delivery of the EZ site would be non-viable.

We have not been provided with sufficient information to be able to verify this position and have therefore relied on statements made to this effect by NELC and ENGIE.

Clearly at this time therefore a report has been provided which is not a Red Book Report & Valuation and cannot be relied on by any party for any purpose and is therefore insufficient in terms of due diligence requirements.

Furthermore the Report & Valuation was requested to undertake an assessment of before and after values of the EZ site benefitting from the Link Road. From this uplift in value could be deducted Humber Land's investment to date at £7 million and used as the basis to assess whether overage provisions should be incorporated. This would require a Report & Valuation to be provided and confirmation from NELC that the £7 million costs are reasonable and appropriate as investment directly related to bringing forward the EZ site to date.

It is therefore recommended that a formal Red Book Valuation is provided to ascertain any uplift in value derived from the Link Road, to assess developer contributions and to verify any clawback arrangements the Council agree with Humber Land.

- ii. Programme Cost Analysis – Fusion Building Consultancy have undertaken an assessment of project costs including works and associated fees.

Fusion have identified that the cost information provided by NELC is clearly work in progress and is in the process of being updated as the design progresses.

Notwithstanding this, Fusion's review of the extent of the road, associated quantities and rates are generally considered to be reasonable, appropriate and in line with market rates, with the exception of the following;

- Pavement costs at £2.16 million are considered to be excessive as provision for the earthworks and subbase are included within cost provisions elsewhere. It is queried therefore whether there is some double counting and this will be required to be clarified upon presentation of final costs for the scheme once tendered.
- Two large drain crossings have been included at a rate of £5,000 per metre, which appears to be on the high side and further justification to support this cost will be required. This cost may also be verified once the scheme has concluded the detailed design process and been tendered.
- Cost provided for the road construction does not include any provision for storm water and foul water drainage or service supplies to be provided within the road. It may be that adequate drainage already exists to service the EZ site and this is required to be confirmed accordingly.
- Sums currently included for all fees were required to be clarified once costs have been crystallised and will also need to make provision for adoption fees which are not currently included within cost estimates.
- Contingency provision is currently included at 10%; however this will be expected to be reduced to 5% as the design develops and more cost certainty is obtained.

It is therefore recommended that the above issues are raised with NELC and ensured that these are resolved during the detailed design process and tendering of the works.

A copy of the lowest tender and report of tenders is recommended to be provided as a condition of funding from GLLEP, when available.

- iii. Programme for Delivery - Fusion have confirmed that the programme for delivery of the scheme is considered to be reasonable and commensurate with the extent of works proposed.

It is noted however; that the conclusion of the detailed design will inform and enable the preparation of a more detailed works programme. It is hereby recommended that an updated programme be provided to GLLEP once timescales for delivery of the project have been crystallised through the competitive tendering process.

- iv. Drawdown of Funding - Once the delivery programme for the works has been agreed with the contractor, along with the updated delivery programme to be provided to GLLEP, it is recommended that NELC provide an updated profile for drawdown of SLGF funding.
- v. Clawback – In accordance with the information provided thus far by NELC in relation to proposed terms for securing the land required for the construction

of the link road and Humber Land's investment made to date in the EZ, the following clawback provisions are recommended.

Given that Humber Land require to recover their investment made to date in the site at circa. £7 million, clawback would operate on the basis that any capital receipts received in excess by Humber Land on the scheme are shared with GLLEP on a 50:50 basis, capped at £2 million, being the level of grant from GLLEP.

The above proposals are the basic principles upon which clawback would operate and would be dependent on addressing the following issues;

- The Report & Valuation establishes that the uplift in value generated by the Link Road exceeds £7 million, thereby triggering clawback.
- That the level of investment stated to be made by Humber Land at £7 million is verified by NELC as being reasonable, appropriate and relevant to the development of the EZ.
- The mechanism by which to assess receipts received by Humber Land is on the basis of disposal of the plots on the EZ (assuming that they are not going to undertake any development for example on a design and build basis). It will be necessary to ensure that any such receipts are not subject to deductions for costs which would not usually be incurred in the disposal of land on this basis.
- Suitable arrangements are put in place in order for NELC to be able to monitor the position in relation to the financial position on the scheme and to report to GLLEP accordingly.

- 4.2 It is noted therefore from the appraisal that a number of conditions will be required to be imposed on any GLLEP approval for funding and have been agreed with NELC in this respect.

5.0 Mechanism for Investment and State Aid

- 5.1 The mechanism for investment of SLGF by GLLEP is to be by way of grant under Article 56 of the General Block Exemption (GBER) Aid for Local Infrastructure.
- 5.2 Under this provision, funding for the construction or upgrading of infrastructure, that contributes at local level to improving the business and consumer environment, along with modernising and developing the industrial base, is deemed compatible with the internal market within the meaning of Article 107 (3) of the Treaty. This means that the funding is exempt from notification requirements of Article 108 (3) of the Treaty.
- 5.3 The infrastructure to be provided must be made available to all interested users on a wholly open, transparent and non-discriminatory basis. Where prices are to be charged for the use or sale of the infrastructure, such prices to correspond to market price.

- 5.4 As the infrastructure to be provided is not operating to alleviate Humber Land of specific planning obligations and costs and that the Link Road will form part of the adoptable highway network, it is considered to fall within the criteria for local infrastructure. SLGF funding can then be invested under local infrastructure and would be a state aid compliant mechanism.
- 5.5 In terms of potential issues relating to the benefit that will accrue to Humber Land through an uplift in land value derived from the infrastructure improvements, it is proposed to put arrangements in place, whereby once Humber Land have recovered investment made to date in bringing the site forward for development through onsite infrastructure, utilities and fees in the region of £7 million, clawback will be triggered. Such clawback provisions would operate whereby any net receipts generated on land sales in excess of £7 million would be shared with NELC as a further contribution to the scheme.
- 5.6 The valuation appraisal provided indicates a value for the Link Road to be nil therefore meaning that the level of contribution by Humber Land through gifting the land to NELC is nil. It is recognised however that the value of the land will have some value to NELC; however on the basis of the valuation appraisal provided, have not added any value attributable to the road to Humber Land's investment of £7 million, which is the trigger level for clawback.
- 5.7 In respect of any new developments coming forward which will benefit from the Link Road, wherever possible, NELC will be seeking contribute from such developments through Section 106 obligations where possible.
- 5.8 From our review of the project and information provided therefore, we consider that the arrangements are State Aid compliant; subject to the final terms agreed with the landowner for the transfer of land and clawback arrangements being evidenced in writing to GLLEP.
- 5.9 It is recommended that NELC confirm the state aid position in accordance with written advice to be provided by their legal advisor.

6.0 Outputs and Value for Money

- 6.1 The outputs potentially deliverable provided by NELC were considered to be incomplete in terms of public sector investment levered, private sector investment levered, GVA uplift and construction jobs. These outputs have been estimated by Thomas Lister in accordance with existing guidance in this respect. The comprehensive package of outputs considered to be deliverable by this project are therefore detailed in the table below;

Core Outputs	2017/18	2018/19	2019/20	2020/21	Future Years	Total
Public Investment levered (NELC)	£516,971	£4 million				£4,516,971
Private Investment Levered (construction of floorspace)			£5 million	£5 million	£29.6 million	£39.6 million

New Jobs (gross)			46	46	1,698	1,789
Local Strategic Outputs	2017/18	2018/19	2019/20	2020/21	Future Years	Total
Commercial floorspace constructed sq.m			2,300	2,300	87,560	92,160
GVA Uplift			£1.38 million	£1.38 million	£68.84 million	£71.6 million
Others	2017/18	2018/19	2019/20	2020/21	Future Years	Total
KM of new road		1				1
Construction jobs	7	80				87

6.2 A number of the outputs identified in the table above are required to be subject to adjustment in order to establish net outputs for the scheme. The following adjustments have been applied to some of the outputs;

- Deadweight – 27%
- Employment leakage – 5%
- Displacement – 17%
- Multipliers for the East Midlands region in accordance with Green Book Guidance – 1.25%

6.3 The adjusted outputs attributable to GLLEP are therefore shown in the table below;

Core Outputs	2017/18	2018/19	2019/20	2020/21	Future Years	Total
Public Investment levered (NELC)	£516,971	£4 million				£4,516,971
Private Investment Levered (construction of floorspace)			£5 million	£5 million	£29.6 million	£39.6 million
New Jobs (net)			26	27	977	1,030
Local Strategic Outputs	2017/18	2018/19	2019/20	2020/21		Total
Commercial floorspace constructed sq.m			2,300	2,300	87,560	92,160
GVA Uplift			£794,335	£794,335	£39.62 million	£41.2 million
Others	2017/18	2018/19	2019/20	2020/21		Total
KM of new road		1				1
Construction jobs	4	46				50

6.4 The value for money assessment in relation to the cost of outputs to SLGF is therefore as follows;

- Public Sector Leverage – 1:2.6 – This ratio reflects the position that SLGF is not the primary funder of this scheme. The ratio is considered good value for money, slightly in excess of benchmarks at 1:2.

- Private Sector Leverage – 1:19.8 - This leverage ratio is excellent value for money and reflects the private sector investment secured through developing out floorspace on the site which are likely to be attracted once the new infrastructure works have been completed.
- 1,030 New Jobs – Equating to a cost per job of £1,942 per job which is excellent value for money and significantly below HCA standard benchmarks.
- 92,160 sq.m. of Commercial Floorspace – Equating to a cost of £21.70 per sq.m., equating to excellent value for money and significantly below standard benchmarks in this respect.
- GVA Uplift at £41.2 million – Equates to a BCR of 1:20.6, equating to excellent value for money and would be secured through the jobs accommodated on the site.
- 1 Kilometre of New Road – Equating to a cost of £2 million per kilometre, representing reasonable value for money for SLGF investment.
- 50 Construction Jobs Created – Equating to a cost of £40,000 per job. This is at the higher end of the HCA cost per output benchmark; however reflects the fact that this is a relatively small scale construction project through constructing a relatively short section of highway.

6.5 The value for money assessment undertaken in respect of this project demonstrates that in accordance with anticipated outputs generates very good to excellent value for money.

6.6 It is also noted that the project will generate significant other outcomes and benefits across the wider North East Lincolnshire area and to its respective communities, which are not captured within the formal outputs recorded for this project.

7.0 Conclusions

7.1 The due diligence for this project has been completed and costs largely accepted as proposed, following ongoing discussions and information provision relating to various elements of the scheme. This is conditional upon a copy of the lowest tender and tender report being provided, demonstrating that queries raised have been satisfactorily addressed.

7.2 The delivery of this project should be completed by May 2018 with drawdown of GLLEP funding completed September 2018.

7.3 The delivery of the project is however dependent upon terms being finalised with Humber Land in relation to the gifting of the Link Road land clawback arrangements.

7.4 The programme for delivery of the scheme and drawdown of funding is at this time subject to refinement following completion of the detailed design process, securing Cabinet approval and competitive tendering of the works through the Council's Cofley Workplace process.

- 7.5 Overall the value for money assessment for the scheme demonstrates that this is good to excellent in terms of the outputs potentially deliverable through construction of the Link Road.
- 7.6 SLGF funding is also deemed to be capable of being invested on a state aid compliant basis under the GBER Article 56, Aid for Local Infrastructure, subject to this being verified through legal advice.
- 7.7 This due diligence therefore concludes that this is a strategically important project for NELC and should be deliverable in the short to medium term with the ability to significantly enhance prospects for early take up of the Enterprise Zone site of which the Link Road will in part serve.

8.0 Recommendations

- 8.1 The recommendations made in accordance with this due diligence assessment are that funding from SLGF at £2 million be approved. The offer of funding is however recommended to be subject to the following conditions which are detailed below;
- NELC provide detailed and final costings for the works following completion of the tendering process to verify or otherwise the actual amount of SLGF funding required, subject to a cap of £2 million. The tender report to demonstrate that queries in relation to costs and need (or otherwise) to provide drainage within the Link Road have been addressed.
 - It is therefore recommended that NELC confirm total costs to GLLEP once these have been through the detailed design and competitive tendering process. NELC also to confirm that any additional cost increases over current estimates have the ability to be met by NELC so that the works can still proceed in such circumstances.
 - A Red Book Valuation to be provided to ascertain the uplift in value accruing due to the construction of the Link Road.
 - NELC to provide written evidence of terms agreed for the acquisition of the land required for the construction of the Link Road.
 - NELC to provide written confirmation and justification in state aid terms of any clawback arrangements agreed with Humber Land before a funding agreement is signed in relation to SLGF.
 - GLLEP to be updated in relation to the progression of this scheme and at the appropriate time to be provided a detailed programme for delivery. The programme for delivery is to include timescales for completion of the works.

- To provide an updated profile for drawdown of SLGF funding over the life of the project.
- Land Ownership – Confirmation that all required land has been assembled to enable implementation of the works as proposed, prior to drawdown of any SLGF funding.



.....

Date:21st September 2016.....

Rachel Lister, BSc (Hons) MRICS
Thomas Lister Limited
11 The Courtyard
Buntsford Gate
Bromsgrove
B60 3DJ

APPENDIX I

LOCATION PLAN



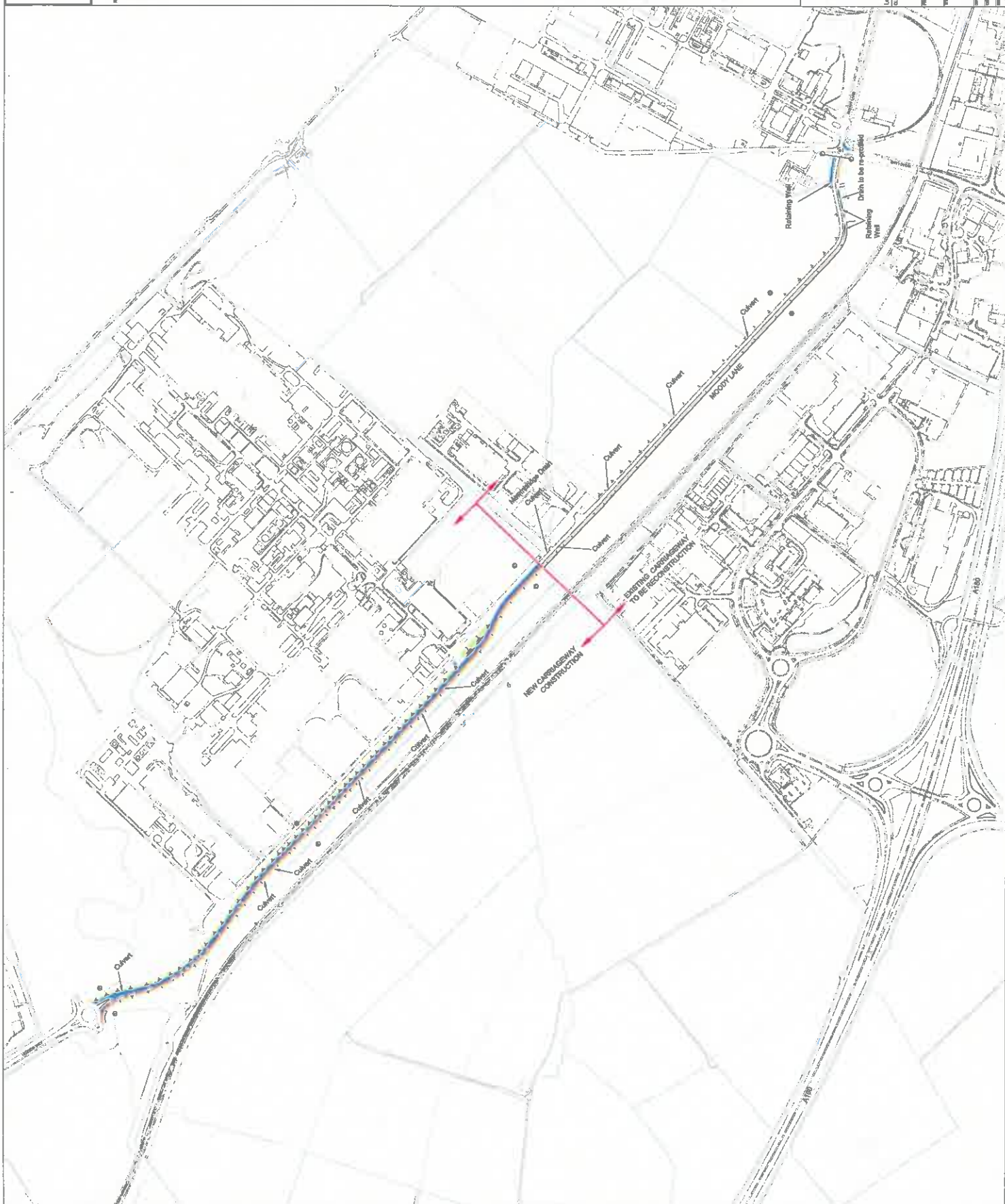
APPENDIX II

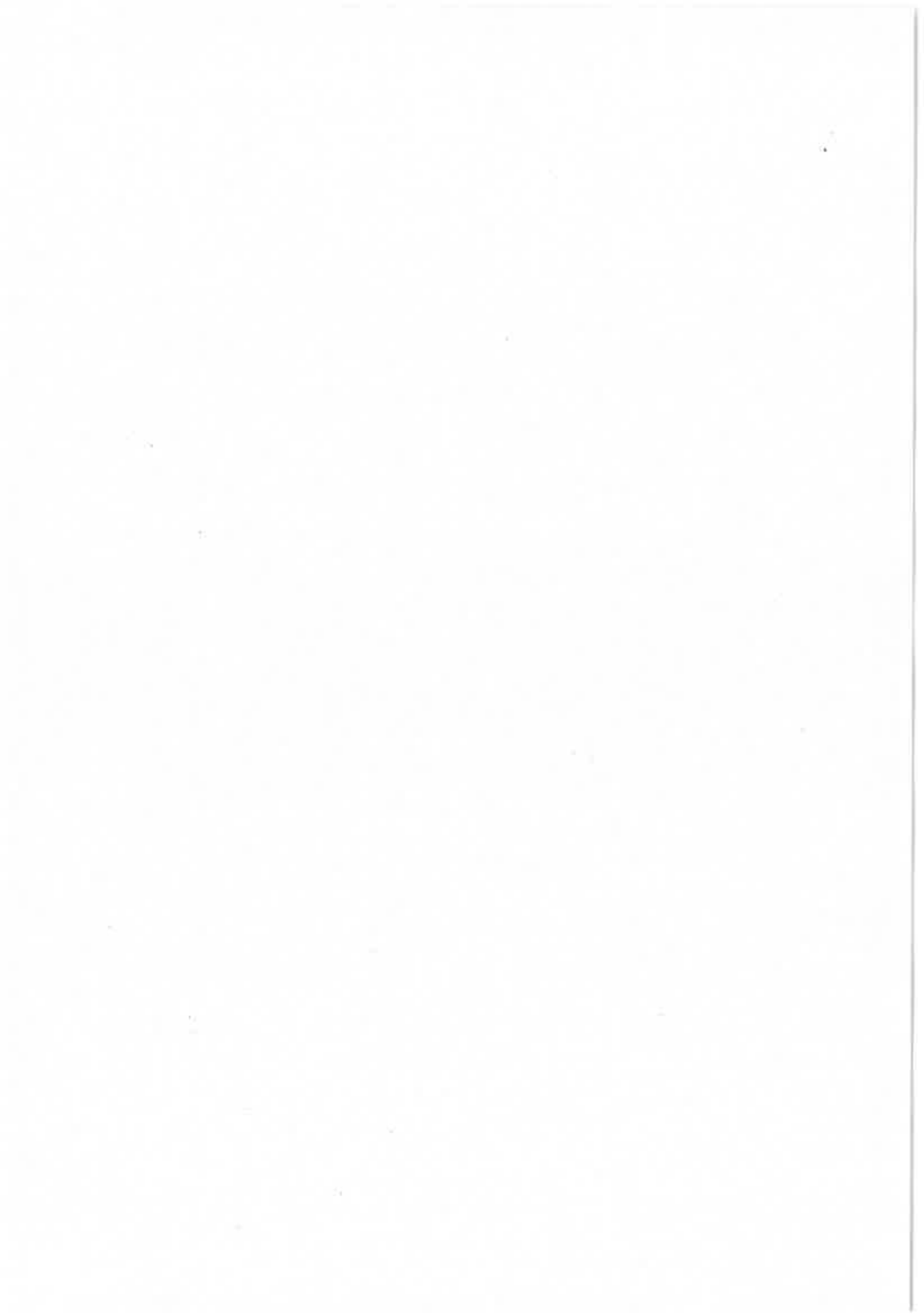
Information provided is for guidance only and does not constitute a contract. The Council is not responsible for any loss or damage arising from the use of this information. The Council is not responsible for any loss or damage arising from the use of this information. The Council is not responsible for any loss or damage arising from the use of this information.

KEY

- Proposed 7.5m wide reconstructed carriageway Area= 8,380m²
- Proposed 7.5m wide new carriageway Area= 10,060m²
- Embankment Area= 19,948m²
- Retaining Wall
- Proposed 2.5m Shared Footway Area= 6,382m²
- Street Lighting

Author	Approved	Drawn	Date
North East Lincolnshire Council			
HUMBER LINK ROAD			
PROPOSAL			
Project No.	Client	Contract No.	Drawn By
Scale	Project Manager	Contract No.	Drawn By
1:1000			





Invest & Grow

1. Background

GLLEP's Invest and Grow Fund is part of the national £500 million Growing Places Fund launched by Government in November 2011 to help Local Enterprise Partnerships deliver economic growth through unlocking stalled infrastructure and development projects.

Members will be aware that the Invest and Grow Fund has 3 overriding objectives:

- To generate economic activity in the short term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing;
- To allow Local Enterprise Partnerships to prioritise the infrastructure they need, empowering them to deliver their economic strategies;
- To establish sustainable revolving funds so that funding can be reinvested to unlock further development, and leverage private investment.

In terms of supporting local economic activity, our guidance notes for applicants highlight that supported developments should be:

- Not less than 25 houses;
- Not less than 1 hectares or at least 10,000m² net of commercial space;
- A combination of the above in a mixed use development;
- Of recognisable and demonstrable economic/strategic significance such as refurbishment of existing buildings or new build commercial space.

The national guidelines for the scheme also allow local LEPs greater flexibility in the use of loan monies that have been repaid through the Fund.

2. Status of Fund

At the start of this financial year the available balance (including interest payments and reserves) within the Invest and Grow Fund was £5,704,816. Less the following commitments the estimated available balance is £1,854,816

Opening balance at 1/4/16	£5,704,816	Notes
Boston Quadrant	£3,250,000	Contracted but not drawn down at 1/4/16
The Lawn	£600,000	Approved May 2016
Total additional commitments	£3,850,000	
Available balance	£1,854,816	

(The first £250k for Boston Quadrant had already been claimed, hence the lower amount shown here compared to overleaf)

In addition Greater Lincolnshire Growth Fund has an available allocation of £3million (from recycled funds) and the Feasibility Grant Fund has an available balance of £83,500 as noted below.

Overall, from the fund to date, the following has been committed:

Original Invest and Grow Loan Fund	£9,485,301	
1 Golf Road	£2,915,921	contracted Aug 2013. Repaid in Oct 2014
2 International Bomber Command Memorial	£800,000	contracted in May 2015
3 Boston Quadrant	£3,500,000	contracted in September 2015
4 Feasibility Loan Fund	£300,000	approved in December 2014 - converted to grant Nov 2016
5 The Lawn (Stokes)	£600,000	Approved July 2016. About to issue contract
Legal Charges Recharge	£4,174	
Rail Work Nottingham	£9,260	
Total committed	£8,129,355	

The Board also originally approved a provisional award of £1,500,000 to North Kesteven District Council in February 2014. The project has not progressed to formal contract in the wake of the Tesco decision to withdraw from building their superstore in Sleaford. The applicant has since confirmed that they can no longer continue to request that the LEP hold the loan for the pedestrian footbridge in place.

3. Promotion of Fund

LEP officers have promoted the Fund through various means, including:

- Presentations to local authority and business colleagues (as part of SEP refresh)
- Publicity at LEP Business Live to over 300 delegates
- Referrals through LEP Board Members
- Promotion through Greater Lincolnshire Growth Hub advisors
- Press releases and case study information on LEP website
- Promotion to One Public Estate projects

4. Enquiries

Enquiries have been received in relation to a variety of projects. Whilst the Enquiries Pipeline potentially represents £9,500,000 none have indicated that they intend to submit a full application. Some enquiries have subsequently pursued alternative funding source e.g. a proposed enterprise village scheme in Grantham has successfully applied for and secured a feasibility grant (details below) and further funding for Bomber Command is the subject of a pending Growth Deal application.

5. Review of Fund - November 2015

In light of limited interest from developers and investors in accessing the loan fund, Investment Board Members considered a range of alternatives for the future of the Fund in November 2015 and agreed to:

- i) Retain the loan element of the original funds to support individual schemes, in line with the original guidance.
- ii) Convert the previous allocation of £300K feasibility loan funding to a **feasibility grant pot**, in line with the original criteria and application process. (See below)
- iii) Convert the recycled element of the Invest and Grow fund to business grants, creating a Greater Lincolnshire Growth Fund with an allocation of £3million. The fund will be accessed through the LEP's Business Growth Hub and will provide grants to businesses to create new jobs. It is estimated that the average grant investment will be for £50,000 with an upper limit of £200,000.

6. Feasibility grant pot

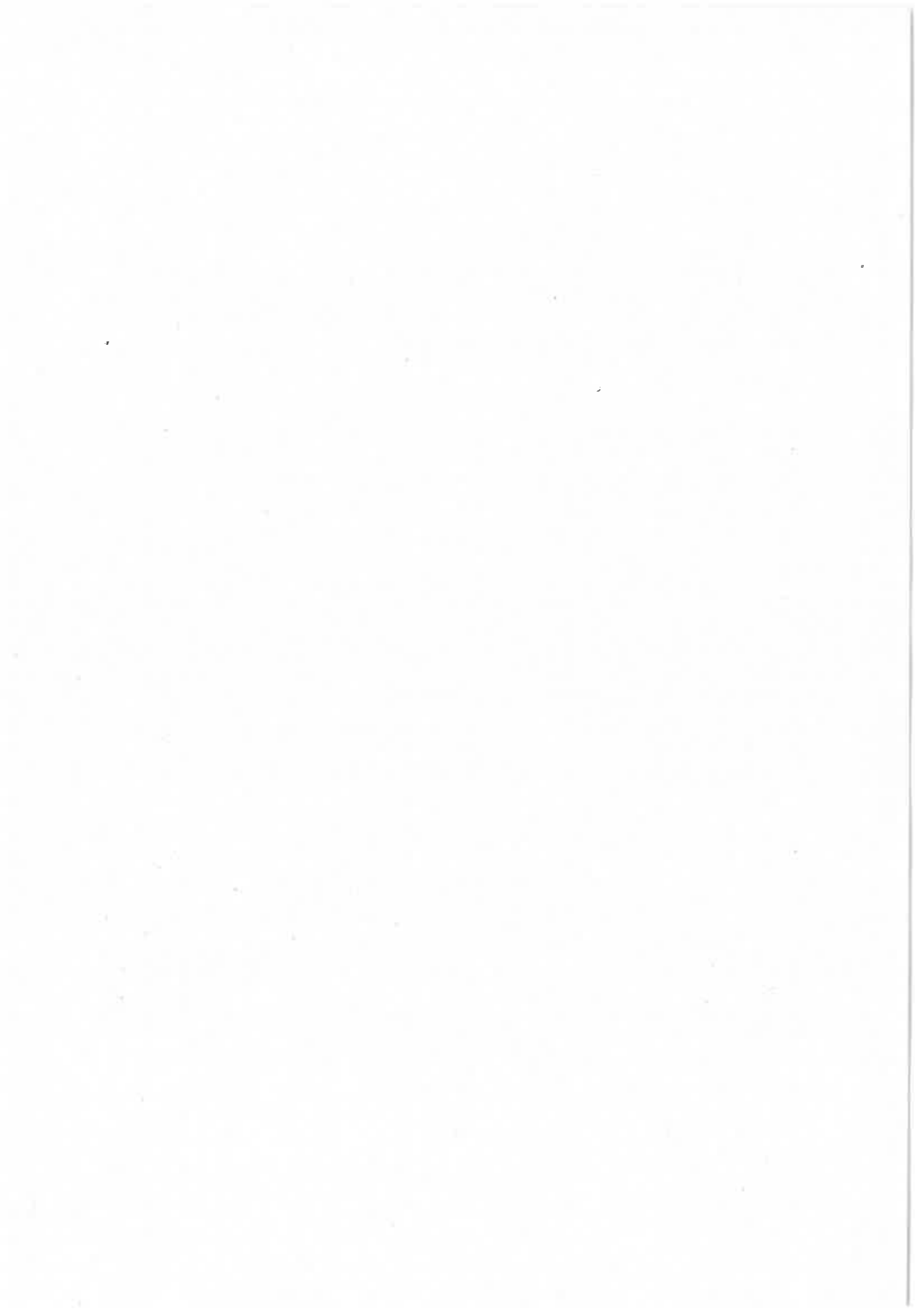
A bidding round was opened early in 2016. 30 bids were received, requesting £1,078,609 from the fund in support of £2,627,219 project activity. Investment Board approved grants to the following 6 projects leaving a balance of £83,500 for future allocation:

Project Title	Applicant	Grant Awarded 24/3/16	Total Feasibility Costs
Beevor Street, Lincoln (Lincoln Science and Innovation Park)	LSIP Ltd	£50,000	£100,000
A15 (Riseholme Roundabout (A15/A46 Junction) and Junction 4 (A15/M180 Junction)	North Lincolnshire Council	£20,000	£40,000
Grimsby Western Access Route - Strategic Link Road	North East Lincolnshire Council	£25,000	£50,000
Utility Feasibility Options Appraisal Planning	Lincolnshire County Council	£37,500	£75,000
Grantham Enterprise Village	Haywood Estates (UK) LLP	£50,000	£145,000
Holbeach Food Enterprise Zone	South Holland District Council	£34,000	£89,000
Totals		£216,500	£499,000

Subject to the views of Board members, we are now considering a relaunch of the fund, a review of criteria and any potential to increase the total amount of funding available e.g. from reserves/recycled grant. The GLLEP Secretariat will take account of the views of Board members and any agreed position in our on-going management of the fund.

7. Recommendations

Investment Board members are invited to note this update and to identify objectives for a relaunch of the Feasibility Grant Fund.



Unlocking Housing Programme Update

Commitments to date

Funding for GLLEP's Unlocking Housing Programme was secured under Growth Deal 1 and is now fully committed. It will facilitate the delivery of 427 housing units, including 17 much-needed retirement units.

Table 1 gives an overall summary of the status of each funded scheme. Table 2 summarises the programme outputs.

Table 1: summary

Title of scheme	LA Area	Total Project Cost (£m)	Housing Units 2015/16	Housing Units 2016/17	Grant 2015/16 (£m)	Grant 2016/17 (£m)	Status Sept 2016
Broadfield Lane (Phases 2/3) Boston, PE21 7HW	Boston	£9.6		75	0.75		On site. GLLEP funded works completed and claimed in full.
Church Road, Old Leake (WHG)	Boston	£3.0	0	24	0	0.158	Draft Contract issued
Land off Meadow Way, Old Leake (Boston Mayflower/Longhurst)	Boston	£3.6	0	30	0	0.3	Planning decision anticipated by November 2016. January 2017 start on site.
Riverside (Boston Mayflower/Longhurst)	Boston	£2.45	0	25	0	0.15	Planning decision anticipated by November 2016. January 2017 start on site.
Seabreezes, Skegness	ELDC	£2.0		17		0.15	Contract issued for signature
Skegness Saxon Fields	ELDC	£12.3		100		1	On site. GLLEP funded works underway. First claim pending
The Quadrant (Q1 - Relocation of Boston United Football Club) London Road, Boston, PE21 7AZ	Boston	£12.0		100		1	Contract being drafted
Tytton Lane East, Boston, PE21 7HW	Boston	£3.2	24		0.28		GLLEP funded works completed and claimed in full.
Woodthorpe Ave / Toot Lane (WHG)	Boston	£3.6	0	32	0	0.32	Contract being drafted
Total		51.788	24	403	1.03	3.078	

Tytton Lane



The GLLEP funded works are complete and claims are being duly processed. We are expecting the transfer of ownership of the site to Waterloo Housing Group to be completed by mid-October. Work is progressing well on site: the first 60m of road is into base course, all the slabs are complete for the houses and construction of the timber frames has commenced.

Broadfield Lane



Broadfield Lane Phase 1 will complete very soon (48 units). Allocations are underway and the scheme is proving popular. Phase 2 (to which our funding has contributed) will complete by December 2016.

Work at **Saxon Fields, Skegness** is well underway:



Seabreezes (Skegness) has just started work on site so we expect a first claim in Q3 of 2016/17.

Contracts are being drawn up for Church Road, Land off Meadow Way (both Old Leake); and Boston Quadrant, Woodthorpe Avenue and Riverside (all in Boston). All of these sites are projecting a start on site in the final quarter of 2016/17. The GLLEP funded work relates to ground work and site preparation so is front-ended and should be capable of completion in the current financial year. However, Land off Meadow Way and Riverside are still subject to positive planning decisions which are anticipated in November. This is being monitored closely as any delays would have implications for drawdown of funding in the current financial year.

Recommendations

Members of Investment Board are invited to note the above progress report.

Table 2 - Outputs

	Total Housing Units	Total Land Reclaimed (ha)	Total Construction Jobs	Total of Private Sector Leverage	Total of Public Sector Leverage	Total of SLGF	Total leverage + SLGF
Skegness Saxon Fields (WHG)	100	1.12	0	£ 9,062,685.00	£ 2,269,404.00	£ 1,000,000	£ 12,332,089.00
Broadfield Lane (WHG)	75	1.56	117	£ 6,856,164.00	£ 1,992,374.00	£ 750,000	£ 9,598,538.00
The Quadrant (Q1) Chestnut Homes	100	0	247	£ 3,000,000.00	£ -	£ 1,000,000	£ 4,000,000.00
Tytton Lane East (Lindum)	26	0.6	0	£ 2,894,490.00	£ -	£ 335,000	£ 3,229,490.00
Seabreezes (LACE)	17	0.11	42	£ 1,366,202.00	£ 493,000.00	£ 150,000	£ 2,009,202.00
Riverside (Boston Mayflower)	25	0.27	35	£ 1,549,147.00	£ 750,000.00	£ 150,000	£ 2,449,147.00
Land off Meadow Way, Old Leake (Boston Mayflower)	30	1.05	59	£ 2,600,324.00	£ 738,000.00	£ 300,000	£ 3,638,324.00
Woodthorpe Ave / Toot Lane (WHG)	32	1.05	55	£ 2,685,794.00	£ 585,447.00	£ 320,000	£ 3,591,241.00
Church Road, Old Leake (WHG)	22	0.67	40	£ 2,325,127.00	£ 564,806.00	£ 158,400	£ 3,048,333.00
Total	427	6.43	595	£ 32,339,933.00	£ 7,393,031.00	£ 4,163,400	£ 43,896,364.00

The Housing Strategy Supporting Brief states: "Housing construction also supports more jobs than investment in many other sectors of the economy due to related activity. Every £1m of new housing output supports 12 additional jobs - 7 directly and 5 indirectly - per year. It has been estimated that, for every £1 invested in the construction industry, £2.60 is generated elsewhere in the supply chain". Based upon this estimate the Unlocking Fund would create up to 516 additional jobs - 301 directly and 215 indirectly.

The Montague Report: "Review of the barriers to institutional investment in private rented homes"^{vi} was commissioned by CLG (August 2012). This report also estimates that for every £1 million of new housing output 12 jobs are generated. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/15547/montague_review.pdf

