



LEP INVESTMENT BOARD

25th May 2018

Committee Room, Boston Borough Council,
Municipal Buildings, West Street, Boston,
PE21 8QR

Paper 0 - Agenda

Est Time	Item and brief description	Lead	Access/Circulation
13:30	Welcome, Apologies, Declarations of Interest <ul style="list-style-type: none"> Review of Growth Deal Related Actions - GLLEP Board Minutes 23 March 2018 Approval of Minutes 8th March 2018 	Chair	All Members Paper 1 Paper 1.1
13:40	Decision :Greater Lincolnshire Growth Fund <ul style="list-style-type: none"> Confidential Report for Decision Confidential Due Diligence Report Confidential Appendix 1 Confidential Appendix 2 	Russell Copley/ Michelle Davis, Greenborough Management Ltd	Not for Publication Directors Only Paper 2 attached Paper 2.1 attached
13:55	Growth Deal Programme <ul style="list-style-type: none"> Growth Deal Update Report Growth Deal Dashboard Summary Skegness Gateway Project <ul style="list-style-type: none"> Appendix A, B and C 	Halina Davies, LEP	All Members Paper 3 attached Paper 3.1 attached Paper 3.2 attached
14:10	Europarc Food Enterprise Zone <ul style="list-style-type: none"> Report for Decision SLGF Due Diligence Report -NELC Applicant 	Halina Davies, LEP	All Members Paper 4 attached Paper 4.1 attached
14:25	Scunthorpe Town Centre <ul style="list-style-type: none"> Report for Decision SLGF Due Diligence Report - NLC as applicant 	Halina Davies, LEP	All Members Paper 5 attached Paper 5.1 attached
14:40	Northern Junction Roundabout <ul style="list-style-type: none"> Report for Decision SLGF Due Diligence Report - NLC as Applicant 	Halina Davies, LEP	All Members Paper 6 attached Paper 6.1 attached
14:55	Greater Lincolnshire LEP Pipeline Projects <ul style="list-style-type: none"> Report for Information and Endorsement Pipeline Project Spreadsheet Pipeline Action Plan 	Ruth Carver, LEP	All Members Paper 7 attached Paper 7.1 attached Paper 7.2 attached

15:10	Skills Capital Investment Fund Programme <ul style="list-style-type: none"> Digital Skills Centre, Stamford - Report for Decision Due Diligence Report - Stamford College as Applicant 	Halina Davies, LEP	All Members Paper 8 attached Paper 8.1 attached
15:25	Skills Capital Investment Fund Programme <ul style="list-style-type: none"> EMAT Centre, Boston - Report for Decision Due Diligence Report - Boston College report for decision Appendix 3 - Visual of Centre 	Halina Davies, LEP	All Members Paper 9 attached Paper 9.1 attached
15:40	<ul style="list-style-type: none"> AOB and Close of Meeting 		

Attendees:

Ursula Lidbetter (Chair & Lincs Co-op), Cllr Peter Wheatley (NELC),
Cllr Rob Waltham (NLC), Chris Baron (Butlins, Skegness), Pat Doody (Nat West),
Richard Wills (LCC), Pete Moore (LCC S151 Officer)

Apologies: Cllr Colin Davie (LCC)

Observers: Pete Holmes (BEIS), Jacqui Moody (BEIS), Graham Pendlebury (DfT),

Officers: Ruth Carver, Halina Davies, Pete Moore Section 151 Officer -
Accountable Body), Sue Groves (Note Taker)

Parking Arrangements

Location Map attached

25th May 2018 GL LEP Investment Board - Conflict of Interest Table

Board Member	Project	Conflict
Cllr Colin Davie (apologies given for 25 th May meeting)	Skegness Gateway Development	Lincolnshire County Council is main applicant for this project
Cllr Peter Wheatley	Europarc Food Enterprise Zone	North East Lincolnshire Council is main applicant for this project
Cllr Rob Waltham	Scunthorpe Town Centre Phase 1	North Lincolnshire Council is main applicant for this project
Cllr Rob Waltham	Northern Junction Roundabout	North Lincolnshire Council is main applicant for this project

LEP DIRECTORS BOARD

23rd March 2018

International Bomber Command Centre,
Canwick Hill, Lincoln, LN4 2RF
Draft Minutes

Draft Minutes

Present:

Board Directors: Ursula Lidbetter (Chair) (Lincs Co-op), David Dexter (FSB) , Prof Mary Stuart (UoL), Pat Doody (Nat West); Dean Fathers (Health), Steve Middlebrough (Siemens), Richard Wills (LCC Accountable Body), Cllr Colin Davie (LCC), Cllr Craig Leyland (ELDC), Cllr Rob Waltham (NLC), Cllr Ric Metcalfe (CLC),

LEP Executive: Ruth Carver, Sue Groves (Note Taker), James Baty (LEP), Liz Shutt (LEP)

Observers: Pete Holmes (BEIS), Simon Green (NLC)

Guests: Adam Peacock (Codename Consulting) Andy Brooks (LCC)

Board Apologies: Herman Kok (Lindum), Cllr Peter Wheatley (NELC), Chris Baron (Butlins)

Welcome by the Chair, Apologies and Declarations of Interest,

Following a tour of the International Bomber Command Centre, the Chair welcomed the Board. IBCC received a loan from the LEP's Growing Places Fund.

Formal apologies were received from Herman Kok (Lindum), Cllr Peter Wheatley (NELC), Chris Baron (Butlins)

Full declarations of interest can be found at:

<https://www.greaterlincolnshirelep.co.uk/assets/documents/>

Copy_of_Declarations_of_Interest_Register_Main_LEP_Board_%28November_2017%29_.pdf

The board were reminded that declarations of interest are required as part of LEP governance and must be submitted at least annually, and if anything changes to the LEP office at the earliest convenience.

DF stated that he now attends the Parliamentary Health Ombudsman meetings, and his register of interest has been updated accordingly.

UL congratulated Prof Mary Stuart on the award of Medical School at the University of Lincoln.

Minutes and Matters Arising

The minutes (paper 1) of the 31st January 2018 were accepted as a true record and can be published on the website. Any matters arising are included on this Board's agenda, with the exception of:

Judicial Review Claim -Scunthorpe United Football Club and Greater Lincolnshire LEP Ltd. RC stated that LEP is still awaiting a view from Court as to whether this claim would be supported to a hearing. The Executive should hear in the next two weeks and will keep the Board informed on any updates.

Action

LEP Executive

LEP Directors Report (Paper 2)

Governance & Performance Update

As reported previously, the LEP Review is taking place and the Mary Ney recommendations have been fully implemented.

The Government's focus is on strengthening LEPs and considering their role in relation to the Industrial Strategy. There is a Ministerial Review of LEPs currently taking place, three meetings have already taken place, with a fourth

Action

<p>meeting imminent. Although it is due to conclude in the late Spring, it is likely that the report will not be published until after the local elections in May and before summer recess.</p> <p>The review is to:</p> <ul style="list-style-type: none"> • Define with greater clarity the strategic role of LEPs' in driving growth and productivity for business, people, ideas, infrastructure and place. • Strengthen business leadership and corporate governance to ensure that LEPs remain diverse private sector-led organisations that can shape and challenge local economic decision making, through the adoption of best practice. • Establish clear accountability through rigorous financial reporting and enforcement of transparency in decision making. • Access the impacts of boundary overlaps to ensure clarify, transparency and representation of functional economic areas, information on this is needed from the business community. • Improve organisational capability and planning certainty, including looking at options for a common incorporation model, how LEPs are resourced and the standardisation of organisational structures and reporting. • Define the relationship between LEPs and Local Authorities, as well as new organisational structures such as Mayoral Combined Authorities. <p>As the review may have fundamental implications for the role and operation of the LEP, the LEP Executive will prepare a submission in respect of overlaps from the chair on behalf of the Board.</p> <p>The Lincolnshire Local Authorities are also asked to make a submission to the Review on the impacts of the overlap issue.</p> <p>PH stated the reasons behind the Review were for clarity of business and accountability and said that the GLLEP should think how collaboration could be enhanced with overlaps and what the benefits would be. All evidence should be collated and sent to the Government with the response.</p> <p><u>Annual Conversation</u></p> <p>PH stated that the annual conversation process is almost complete, with letters sent to all LEPs regarding performance. The Greater Lincolnshire LEP's performance is generally considered good although there was a requirement for some improvements in equality and diversity, delivery and project pipeline. UL stated that some of the most significant issues for delays are with national agencies, not projects being able to reach the targets of spending growth deal funding within the expected timeframe. At the recent LEP annual dinner, she had spoken with Ministers of the frustrations.</p> <p>The LEP Executive understands that the GLLEP is one of a number of LEPs in the middle category of "requiring improvement", particularly in delivery area. The following actions were as follows:</p> <ul style="list-style-type: none"> • Governance - The LEP agreed to actively address gender and age diversity on its main board during the recruitment of new members - Ongoing. • Delivery - Reduce the ongoing reliance on Section 31 flexibilities, maximising all opportunities to accelerate spend by Growth Deal projects 	<p>LEP Executive</p> <p>Lincolnshire Local Authorities.</p>
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<p>and ensuring that due diligence, approval and contracting is undertaken and completed as soon as possible - Ongoing.</p> <ul style="list-style-type: none"> • Delivery - LEP and Accountable Body to maintain a proactive approach to risk management, providing regular detailed reports for key risk projects to the Board, and review pipeline schemes, examine scope and case for expanding existing projects, invite other projects to come forward at risk, and produce, agree and publish a single prioritised pipeline list - Ongoing. • Strategy - The LEP should maintain its focus and pace on evidence gathering and analysis to enable the development of an ambitious strategy - Ongoing. • Strategy - On skills, it is noted that the LEP has embraced its invitation to participate in the Skills Advisory Panel and career Learning Cost and Outreach pilots and should use the opportunity to develop its skills strategy and refresh its Employment and Skills Board. • Strategy - On engagement and collaboration, the LEP should continue to maximise efforts to convene and engage partners and stakeholders (including the implementation of an MP engagement plan) and enhance collaborative work with neighbouring LEP areas across the Midlands Engine and Northern Powerhouse. <p>All identified points have either already been addressed or are scheduled to be addressed this year as part of the LEP Business Plan. The LEP Executive is confident that the successful implementation of these plans will enable the LEP to obtain a "good" overall rating in the 2018/19 Annual Conversation.</p> <p><u>Growth Deal Update</u> RC informed the Board members that the Investment Board had been cancelled this month, and the Team's focus was on year end. The Board was also informed that of the £15m target will be met utilising freedoms and flexibilities. A year end finance report will be presented at May's Board meeting.</p> <p><u>MIPIM</u> Cllr D gave an update on MIPIM and said that it had been a huge success and that there were a number of potential investors for Lincolnshire and that it showed how well GLLEP was working with the Midlands Engine. Also the launch of Team Lincolnshire at a London event was also very well received with over 100 people attending.</p>	<p>Points to be addressed in the Business Plan.</p> <p>May 2018</p> <p>Impact of team Lincs and Mipim in September 2018</p>
<p><u>Productivity Report (Paper 4)</u></p> <p>A presentation was given by Adam Peacock (Codename Consulting) and James Baty from the LEP and provided an update on the original data of "Productivity in Greater Lincolnshire" which was given in 2016. Since then, more data has been published by the ONS and this was explained.</p> <p>In some areas, the UK average was compared with other LEPs where Greater Lincolnshire was 33rd out of all 38 LEPs. Comparison with the more local LEPs, the nearest to Greater Lincolnshire was D2N2 who were 26th. A discussion took place and agreed that productivity in Lincolnshire was lower due to infrastructure.</p> <p>This information was useful, but it needs to be contested and take this to each of the sectors and perhaps test these at Roundtables. GLLEP should focus on small specialist areas.</p> <p>The next research will include Brexit and will be brought to the next Board in May.</p>	

UL asked what is driving the difference in efficiency, ie, geography and can we do anything about it. RC stated that within the food sector could be more efficient with the use of robotics as they are too reliant on labour. MS said that most of the issues were to do with connectivity.

DD asked whether the self-employed were included within the data and JB responded that they are working with HMRC to gather this data and should be available within the next 18 months. Cllr D said that skills and vacancies are an issue nationally. Cllr Wa said that the shortage of labour will make employers become innovative and find other ways of doing things.

Cllr L said that with the new Medical School and making improvements to infrastructure were steps in the right direction and that this should be built upon.

Implementing the outcomes of the Utility Study (Paper 5)

Andrew Brooks, LCC presented this item, he has led on behalf of all of the partners on Utility and Energy reporting to the LEP board and HIG. The LEP and other partners funded this work, and AB stated that the final report today fulfilled the feasibility fund

Estimates for the utility capacity upgrades looked at 25 strategic sites across Greater Lincolnshire. Costs for abnormal reinforcement works were estimated to be around £125m in total and if this figure was applied to all development planned in Greater Lincolnshire in the next 20 years, ie, the SEP period, it would equate to abnormal utilities costs of around £250m, a significant upfront investment for development.

Greater Lincolnshire needs to find a solution to its long term utilities needs in order to fulfil its potential for the UK and locally. This will involve working on a number of areas.

Agreed that there is a need to develop the study and that a chapter on Utilities should be included in the LIS.

AB said that the summit held in July, where more than 70 companies, OFGEM, utilities and MPs attended proved challenging, with a number of issues being raised:

- The current framework
- Regulator that is given directions from the Government
- Electric cars being promoted, but this could be in an issue in rural areas where energy is more difficult to provide as Utilities are reluctant on proposed sites and should look at the Local Plan.
- Links to productivity

It was suggested that the Utility study and the information therein be used to provide a series of facts sheets and that a further study should be undertaken to provide more detail on Greater Lincolnshire's utility demand, with a particular emphasis on the affordability of different solutions at specific sites.

The actions with the paper were agreed, with further reporting back to the lep board regularly.

Update on progress with the Local Industrial Strategy

Liz Shutt gave an update on the continuing work to develop a Local Industrial Strategy for Greater Lincolnshire.

<p>More focus has been given on sectors and discussions with Officials about the LIS process. GLLEP will need to draw on exiting work in relation to the sectors set out in the SEP, including sector plans. The evidence gathering phase of the LIS process is already considering sectors as part of the research programme, including productivity, inclusive growth and Brexit. These pieces of work will form a solid contextual foundation, establishing the changes which have occurred since the SEP was written and how these areas may impact our sectors and sub-sectors in varying ways.</p> <p>Work is currently being undertaken on Brexit, with sign off on the project due in late April. This research puts some of our priority sectors under a microscope in order to understand the potential opportunities and risks associate with leaving the EU. This research will factor in varying types of Brexit deal and deliver a range of impacts.</p> <p>Action : The LEP Board agreed that the Chair should write to the SoS regarding the challenges and opportunities for Greater Lincolnshire and the LIS, The board wanted to demonstrate that the GLLEP is open to be a trial area and demonstrate that we can focus on areas of difference</p>	<p><u>Letter to SOS re Greater Lincolnshire work on the LIS</u></p>
<p><u>Update on LEP Strategies</u> RC gave an update on the LEP Strategies</p> <p>Members were asked to note the update provided and to reconfirm Local Authority and Board Lead responsibilities where appropriate, which had previously been circulated. Members were asked to volunteer to be LEP Leads in certain areas, but these could be filled by new Directors which are currently being recruited. Once this has been completed, it will be published.</p> <p>Query raised regarding where "completed" and this is to be amended to read a "refresh date".</p>	<p>Action: CJ to publish a revised version</p>
<p><u>Update from the Food Board and Work Plan for the year</u></p> <p>An update was given on the activities currently being undertaken by the Food Board and what the priorities are. At the Spring meeting, priorities and actions are agreed and another meeting, which is held in the Autumn, an event is proposed in November 2018 to update Government Ministers to raise the profile of Greater Lincolnshire and the Food Board.</p> <p>PH stated that engagement with partners and Government is needed and that the date for the Spring meeting is needed to be able to invite the Minister.</p> <p>Decision : The Food Board work plan was agreed for the 18/19</p>	
<p><u>Terms of Reference and Work Plan for the Growth Hub Board</u></p> <p>MS chair of the Growth Hub Board presented this paper. The Growth Hub Governance Board was established in March 2015 and that it is now to be re-named the Business Lincolnshire Board to reflect its role, ie, now asking more strategic questions rather programme delivery.</p> <p>The aim of this Board is to boost economic growth by creating more appropriate, relevant business support officers and its role is to shape and influence future business support products to meet the needs of businesses in Greater Lincolnshire. The Business Lincolnshire Growth Hub is the business</p>	

support arm of the LEP and provides a single access point for business support, bringing together both national offers and local offers, so that businesses get what they need wherever they start their growth journey. The Growth Hub also brings together public and private sector support, ie, the support offered by local authorities, universities, Chambers of Commerce, Federation of Small businesses and enterprise agencies.

Decision: The name change, the revised terms of reference and the work plan were agreed by the LEP Board.

Revised Terms and Reference and Work Plan for the Employment & Skills Board

RC presented this item, and the revised terms of reference and annual work plan were discussed and agreed. It was agreed that the work of the employment and skills board

More resources and effort next year on Apprenticeships, Careers and Life Long learning, and will be included in the revised Business Plan and the need to build on the Skills Pilots awarded to Greater Lincolnshire.

SM stated that at all the Manufacturing Boards that he has chaired, the main issue is apprenticeships. Trainers do not appear to be communicating with local businesses to see what their needs are and some businesses are now providing their own training.

MS said that there had been a call for bids from the IoT for levels 4 and 5 of Higher Education. Businesses will be providing information on what skills are required. The bid that UoL has submitted has gone through Stage 1 and waiting to see if they go further.

Decision: The revised terms of reference for the employment and skills board and the work plan were agreed by the LEP Board.

Any Other Business

RC sought delegated approval from the LEP Board to submit an expression of interest to the Coastal Communities Fund on delivering skills in the winter season on the Lincolnshire coast- **The LEP Board approved this approach.**

MS informed the Board that the Innovation Council is creating a network for businesses with growth potential, which the University will be managing, if anyone is interested.

The meeting closed

Items to come back to board

<u>GLLEP Board Date</u>	<u>Action</u>	<u>Person Responsible</u>	<u>Carried Out</u>
20 July 2017	Progress relationship with HCA	Pete Holmes/Ian Fytche	ongoing
	Explore options for smart/futuristic homes	Cllr Davie	Report May 2018
29 September 2017	Agree small number of messages that GLLEP wants to give to Government, avoid being diverted by Government announcing different policies on LIS	Strategy Away Day	Jan 2018 - complete
	Assurance Framework training for LEP Board and Investment Board members	Linsay HillPritchard	May 2018
	PR on Skills Capital Fund, use the grants being given to Lincoln and Stamford as a way you can demonstrate that GLLEP is investing in the digital agenda	Ruth Carver/Clare Hughes/Halina Davies	ongoing
24 November 2017	Update on progress and a report on enhancing scrutiny arrangements	Richard Wills	Jan 2018 - complete - detailed report May 2018
	Decarbonisation Project - Humber LEP & GLLEP to share	Humber LEP & GLLEP - Simon Green	
	Self-Employment Project - figures captured Growth Hub	Samantha Harrison	
	Actions from the Digital Action Plan being implemented.	Angela Driver	
31st January 2018	Visitor Economy website and national profile	Ruth Carver	
23rd March 2018			

In attendance:

Board Directors: Ursula Lidbetter (Chair) (Lincolnshire Co-operative); Pat Doody Cllr Rob Waltham (North Lincolnshire Council), Chris Baron (Butlins Skegness)

Conference Callers: Cllr Ray Oxby (North East Lincolnshire Council), Chris Baron, Butlins Skegness)

LEP Board Support: Ruth Carver (LEP Director), Sue Groves (Note Taker)

Accountable Body : Lindsay Hill-Pritchard (Lincolnshire County Council)

Observers: Pete Holmes (BEIS), via conference call

Apologies: Cllr Colin Davie (Lincolnshire County Council), Cllr Rob Waltham (North Lincolnshire Council)

Welcome by the Chair – Ursula Lidbetter

The Chair welcomed everyone in attendance. It was noted that the Board could be regarded as quorate for all matters.

Declarations of Interest

There were no declarations of interest.

Paper 1 – Skills Capital Investment Fund

The Board was asked to approve the Skills Capital Investment Fund, subject to the due diligence of individual schemes, which would be managed and operated at programme level by Lincolnshire County Council.

In July 2016, a Growth Deal 3 allocation of £29.45m was awarded to Greater Lincolnshire, of which £6.7m was initially made available towards a new Skills Capital Investment Fund which was brought to the July 2017 Investment Board, with an additional £100k set aside for due diligence and legal costs.

Following a call for projects from all eligible Institutions, which included post 16 colleges and approved training organisations in the Greater Lincolnshire area and panel scoring process, the LEP Investment Board subsequently agreed to allocate additional EP resources to increase the Skills Capital Investment Fund to £7.44m subject to future resources. It was agreed that a figure of £100k be allocated as revenue in order to recover costs of the growth deal project manager, due diligence, legal and project management of the scheme by Lincolnshire County Council. 9 bids (expressions of interest) were received and shortlisted for the July 2017 Investment Board with 4 being shortlisted. All allocations must be spent by 2021, and outcomes delivered by 2025. This fund can be used for construction, including design fees and site investigation costs, refurbishment/remodelling of existing buildings, purchase of specialist equipment, and work to improve delivery and efficiency through digital technologies, including steps to improve technological infrastructure and service resilience

The Accountable Body will have the ultimate sign-off on projects, which will have been taken to Investment Board for approval and progress reports.

In relation to outcomes, a query was raised about the projected new apprenticeships, with recent forecasts stating that apprenticeships will decline. It was suggested that this would be addressed in the due diligence, appraisal process for each individual scheme under the programme.

Once due diligence has been carried out, should a project not meet the required criteria, it was asked whether one of the other scored projects could be brought forward or whether the funding could be allocated to other awarded schemes within the programme whose allocation was significantly lower than requested. It was

agreed that a sequential approach to reallocation would be taken as supported by the Assurance Framework should such a situation arise.

The Board agreed to approve the Skills Capital Investment Fund Programme to contracting stage.

Paper 2 – South Lincolnshire Food Enterprise Zone

The Board directors were asked to consider the due diligence report for Phase 1 of the South Lincolnshire Food Enterprise Zone at Holbeach and to approve progression to contracting stage.

Greater Lincolnshire LEP has an overall growth deal allocation of £6.8m towards the wider FEZ programme, of which Phase 1 of the South Lincolnshire FEZ in Holbeach has provisionally secured £2.985m. Overall costs for Phases 1 and 2 have unfortunately risen since the bid was first put together and utility costs for Phase 1 could rise up to as much as £10.1m. However, final costs will be confirmed and reassessed by May/June 2018 to ensure to continued value for money and deliverability and any additional costs would be underwritten by LCC in partnership with South Holland District Council.

Feasibility work has been carried out to see if there is a demand for this FEZ and RC stated that a number of businesses had already shown an interest in the proposed site.

It was agreed that should any profits be raised by LCC from the Phase 1 scheme, they would be reinvested into the development of Phase 2 of the site. The Board suggested that a clause be put in the contract regarding Phase 2 ensuring clarity on land values and any surplus monies being attributed to the wider development.

All agreed that this development is core to the LEP agenda and the Government's.

The Board agreed to approve this proposal.

Any Other Business

The Board was informed that the Scunthorpe Town Centre project that was originally planned to be discussed at this meeting was still undergoing Due Diligence appraisal and would therefore be presented at the next Investment Board.

Date of Next Meeting

23rd March 2018

List of Actions

Paper 2

Greater Lincolnshire Growth Fund - Tong Engineering

1. PAPER FOR DECISION

- 1.1 Board Directors are asked to consider the due diligence appraisal for the Tong Engineering Project under the auspices of the Greater Lincolnshire Growth Fund and to approve progression to contracting stage.

2. BACKGROUND

- 2.1 Tong Engineering Ltd is a world leader in the manufacture of potato and vegetable handling machinery, with a current turnover of circa £14million. Tong have been located in Spilsby for over 85 years and are now in their fourth generation. The business operates in 3 main sectors; farm, packhouse and recycling, offering a full post-harvest solution.

- 2.2 Tong currently employ 145 staff who work across the two sites, existing Spilsby site and Wainfleet (rented site). From a manufacturing perspective, both sites run autonomously, producing machines end to end. The existing Spilsby site provides all the administrative and management functions of the whole business. Running from two sites allows the business to complete multiple projects at the same time, however, it does lead to needing to have a large increase in inventory to simultaneously produce machines at the same time, duplication of expensive capital equipment needed to build those machines, i.e. forklift trucks.

At times, the workflow requires the company to switch production between the two sites, meaning there are logistical issues and associated costs which have a negative impact on the profit margin.

- 2.3 Tong have a good share of the UK grading market and some of the UK packhouse sales market and have invested much time and effort in developing and expanding the export side of the business.

(See appendix 1 for competitor analysis and appendix 2 for world market overview).

3. THE PROJECT

- 3.1 Tong are facing pressure on production capacity and facilities. Tong are looking to the future to improve this situation and strengthen their position in the market further. Tong have determine the best approach for the business is to invest and increase the production area, consolidate the business into one area allowing the business to streamline the production process.
- 3.2 Tong are looking to centralise all production in Spilsby as part of a two-phased project. Phase 1 of the project (which this grant will be a part of) will be to secure enough land to enable the company to meet current and

Paper 2

Greater Lincolnshire Growth Fund - Tong Engineering

future customer demands and ensure the company has the capacity for future significant growth. Tong have identified and secured land set aside for industrial use in Spilsby and will erect a new production facility. (Vale Road Industrial Estate).

- 3.3 The phase 1 new factory will accommodate the aftersales department, electrical design and production management. The building will have conferencing space for internal and customer meetings and have enough room to accommodate growth in staff numbers. There will also be canteen facilities. The Engineering Stores will move on to the new site. There will be sufficient parking spaces for everyone and a safe hard standing area for finished stock machinery and used equipment that has been traded in.
- 3.4 The Phase 1 new factory will allow Tong to leave the rented Wainfleet premises and reorganise the production facilities. The main offices, fabrication and painting will stay at the existing Spilsby site. All final assembly will move to Vale Road Industrial Estate.

4. PROJECT COSTS AND PROGRAMME SUITABILITY

- 4.1 The company is seeking £500,000 grant.

Tong Engineering is based within the GLLEP boundaries and the project sits well within the Manufacturing priority.

5. OUTPUTS , OUTCOMES AND ADDITIONAL BENEFITS

- 5.1 The project aims to:-

To create a new production facility, enabling the company to consolidate their two existing sites in to one; safeguarding the future of the company by ensuring the business meets its growth aspirations.

The project will create 26 jobs and safeguard 13 jobs within three years of the project.

Tong Engineering	
	Current year Feb 18 - Jan 19
Turnover	£14,486,618
Gross Profit	£3,375,855
Net Profit	£429,676

Paper 2

Greater Lincolnshire Growth Fund - Tong Engineering

Additional benefits:

- Increased number of skilled jobs in a rural area
- Enhanced number of Apprenticeship roles, helping to fill the skills gap
- New site development and build will have a preferential policy for using local suppliers, boosting the local economy
- Tong site development will open remaining plot for further commercial development
- Increase in visitor numbers to Spilsby through increased customer visits and attracting new families for work
- Growth in employment and prosperity will open up more supply opportunities for other local businesses (shops, entertainment, restaurants etc.)

6. CONDITIONS IDENTIFIED WITHIN DUE DILIGENCE APPRAISAL

6.1 Tong Engineering has requested a grant contribution of £500,000, and upon due diligence appraisal, this amount is recommended for approval from the Greater Lincolnshire Growth Fund. GLLEP Fees for due diligence and legal costs will be deducted accordingly. Details of state aid compliance are provided in the table below.

<i>Cost Description</i>	<i>Eligible Cost £</i>	<i>Proposed Grant £</i>	<i>Grant over Eligible Cost</i>	<i>Maximum allowed</i>	<i>Block Exemption</i>
<i>Capital cost of build</i>	2,570,270	257,027	10%	10% and €7.5m	Article 17 GBER
<i>Development and installation of plant/systems for completely new process</i>	392,000	196,000	50%	50% and €7.5m	Article 29 GBER
<i>Sundry other costs</i>	46,973	46,973	100%	100% and €200k (£175,400) over 3 yrs	De Minimis Regulation
<i>Total</i>	3,009,243	500,000			

6.2 The grant would be awarded subject to the following conditions being incorporated within the funding agreement:

- Full scheme plans, specification for the works and copy of the lowest tender to be appended to the funding agreement.
- Updated milestones for delivery of the project and forecast drawdown of GLLEP Growth Fund to be provided.
- A Red Book valuation to be provided for the scheme once completed as a basis against which to assess future clawback obligations should these be triggered.

Paper 2

Greater Lincolnshire Growth Fund - Tong Engineering

- iv. Monitoring of outputs to be undertaken.
- v. Confirmation to be provided that the level of outputs generated by investment in Tong Engineering is being accepted given that it falls significantly below targets noted within the Growth Fund criteria.

7. RECOMMENDATION

- 7.1 That the Investment Board formally approves £500,000 of Greater Lincolnshire Growth Fund towards the Tong Engineering Project and progression of the scheme to procurement and contracting stage.

Investment Board

Paper 3 - Growth Deal Update Report

1. PAPER FOR INFORMATION

- 1.1 This paper is to update Board Directors on progress with the current Growth Deal Programme and other programme funds for Greater Lincolnshire.

2. GROWTH DEAL FUNDING CONFIRMATION

- 2.1 Following a positive Annual Conversation and full achievement of Growth deal targets for 2017/18, GLLEP received a grant determination notice and supporting letter from the Ministry of Housing, Communities and Local Government on the 11th April 2018. Subsequently, a payment of £8,733,858 was released to the LEP in late April to enable funding of growth deal project activity in 2018/19.

3. INVEST & GROW (GROWING PLACES) FUND

- 3.1 A full application from Heywood Estates for Grantham Enterprise Village is still awaited; cost of power supply to the site still being negotiated. No other new applications received this quarter.

4. GREATER LINCOLNSHIRE GROWTH FUND (GLGF)

- 4.1 The GLGF was launched in October 2017 at Business Live and aims to support private sector businesses of all sizes, operating in one of the priority LEP sectors to deliver transformational projects which align with the wider ambitions of the Strategic Economic Plan, whilst increasing productivity and creating new wealth and jobs. Applicants can request from £150,000 to £500,000 in capital grant funding, with provision of between 70% and 80% of match funding. Eligible expenditure can include new investment in property infrastructure, buildings and refurbishment costs; plant, machinery & equipment and new disruptive technology.
- 4.2 One application for a total of £500,000 of grant funding support has been taken through due diligence appraisal and will be presented to the Investment Board for consideration today to proceed to contracting (Papers 2 and 2.1).

5. GROWTH DEAL PROGRAMME UPDATE

- 5.1 One project is currently deemed as a high risk in terms of milestones to the programme, Skegness Countryside Business Park (Skegness Gateway Scheme). An update paper on the Skegness Gateway Scheme explaining progress against milestones has been provided by the grant recipient to the Investment Board today for review and discussion (Paper 3.2 and Appendices A, B and C).

Investment Board

Paper 3 - Growth Deal Update Report

6. AGRI-FOOD CENTRE OF EXCELLENCE PROGRESS

- 6.1 The University of Lincoln (UOL) is lead applicant for this strategically important project, which is to be situated on the Peppermint Park Food Enterprise Zone at Holbeach. Works remain on target for starting on site in October 2018, providing the ESIF and GLLEP contracts are agreed and signed very soon. Detailed planning permission for the project has now been secured and legal documentation is being finalised between UOL and Lincolnshire County Council in relation to the land required and utilities. Once this is in place, contracting with funders and procurement for the construction works can begin in earnest.

7. PROGRAMME DELIVERY

- 7.1 The summary Dashboard provided as part of the new DCLG reporting mechanism (Paper 3.1) shows Quarter 4 performance as Amber/Green. It identifies one high risk scheme in relation to the programme (as explained earlier).
- 7.2 The dashboard is presented in draft format pending sign off and will be sent to central government by the required deadline of 20th July 2018. The board is reminded that not all outputs are captured within the dashboard and that forecasts were locked in the middle of 2017.
- 7.3 The Growth Deal target spend for 17/18 of £15,687,335 was achieved with direct project spend of 15,425,809 and the remainder offset against LCC capital spend to be secured and utilised in future years. A variety of freedom and flexibilities were used within the year including two larger advance payments to the Skills Capital Programme and South Lincolnshire Food Enterprise Zone.
- 7.4 The table below provides an overview of the whole programme and demonstrates where freedom and flexibilities may be utilised:-

	ACTUAL			FORECAST			Total ALL Years
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	
	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	
SLGF Allocation	26,400,000	47,863,787	15,687,335	8,733,858	6,809,606	18,153,052	123,647,638
Project spend	17,901,011	38,359,044	15,425,810	19,143,991	19,086,213	13,731,570	123,647,638
Offset used	-	298,990	-	-10,410,133	-7,855,125	-	18,564,248
Offset gained	8,498,990	9,803,734	261,525	-	-	-	18,564,248
GAP	-	-	-	-	4,421,482	-4,421,482	-

Investment Board

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- 7.5 We currently hold contracts to the total spend value of £259million with an agreed grant contribution of £88million single local growth fund therefore leveraging in a further £171million of investment. Within the year we received our third tranche of growth deal monies to the sum of £15,687,335.

The table below shows how the monies were distributed across the growth deal projects.

GROWTH DEAL CLAIM EXPENDITURE - ACTUALS 2017/18		
Project Name	Total Project Expenditure	17/18 Grant Paid
Access to Employment Zones 1	301,944	301,944
Bishop Burton College	198,634	-
Boston Quadrant	1,588,936	1,123,347
Food Enterprise Zone	-	2,985,000
Go Skegness	1,065,160	399,999
Grantham College	-	-
GSRR	2,006,463	-
Holbeach Peppermint Junctions	3,884,443	-
Lincoln Transport Hub	16,675,688	1,243,872
Lincolnshire Lakes	409,240	-
SHIP Phase 1	82,346	-
SHIP Phase 2	133,205	133,205
Skills Capital Investment Fund	-	7,340,000
Sutterton Roundabout	821,965	750,864
Unlocking Rural Housing Contracted	18,443,854	1,147,577
Freedom and Flexibility (LCC Capital spend)	261,525	261,525
Total Programme	£ 45,611,878	£15,687,335

- Spend on LCC capital projects (offset) amounts to £18.6 million. Current forecasts show that this will not be utilised until 18/19 (£10.4million) and 19/20 (£7.8million).

Investment Board

Paper 3 - Growth Deal Update Report

- We have released £24million in advance payments and have recouped £6.8million through evidenced claims. A further £12.4million is expected to be evidenced in the 2018/19 period with the remaining £5m 19/20.
- 156K of grant from Grantham College was paid back within 17/18 and this was placed on an earmarked reserve at year end and will be used to fund future growth deal contracts.
- Outputs are marginally below forecast targets but this is reflective of identified project delays and the requirement for the projects to supply comprehensive supporting evidence.
- The accountable body is taking a cautious approach in reporting on outputs to ensure that the projects are meeting the requirements set out within the monitoring and assurance framework. 18/19 will see greater focus on the outputs and outcomes.

8. RECOMMENDATION

- 8.1 That the Board notes the year end programme position, notes forecasts for 2018/19 and advises on the Skegness Gateway project.

Growth Deal Dashboard

LEP Name Greater Lincolnshire LEP

This Quarter: Q4_1718



Deliverables Progress								
	This Quarter	15-17	17-18	18-19	Financial Year			Total
Housing					19-20	20-21	21-25	
Houses Completed	86	0	384	0	0	0	-	384
Forecast for year	455	-	455	566	896	675	5,023	7,615
Progress towards forecast	19%	-	84%	0%	0%	0%	-	5%
Jobs								
Jobs Created	212	0	218	0	0	0	-	218
Apprenticeships Created*	0	0	0	0	0	0	-	0
Jobs including Apprenticeships	212	0	218	0	0	0	-	218
Forecast for year	302	-	302	526	1,427	2,627	7,969	12,851
Progress towards forecast	70%	-	72%	0%	0%	0%	0%	2%
* Apprenticeships included within jobs totals prior to 2017								
Skills								
Area of new or improved floorspace (m2)	0	0	0	0	0	0	-	0
Forecast for year	0	-	0	0	0	0	6,025	6,025
Progress towards forecast	-	-	-	-	-	-	-	0%
Number of New Learners Assisted	0	0	378	0	0	0	-	378
Forecast for year	700	-	700	350	350	437	-	5,387
Progress towards forecast	0%	-	54%	0%	0%	0%	3,550	7%
Transport								
Length of Road Resurfaced	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0
Length of Newly Built Road	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0
Length New Cycle Ways	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0

Project RAG Ratings					
Project Name	Previous Quarter Q3_1718	This Quarter Q4_1718	Project Name	Previous Quarter Q3_1718	This Quarter Q4_1718
Grantham Southern Relief Road	R	AR	-	-	-
Boston Quadrant Infrastructure Programme	A	A	-	-	-
Boole Technology Centre	G	G	-	-	-
Unlocking Rural Housing	AG	AG	-	-	-
Bishop Burton College Lincolnshire Showground	G	AG	-	-	-
Tentercroft Street Growth Corridor Phases 1 and 2	G	G	-	-	-
Lincoln Transport Hub	G	G	-	-	-
Skegness Countryside Business Park	R	R	-	-	-
Go Skegness Sustainable Transport	G	G	-	-	-
Access to Employment Zones	G	G	-	-	-
Normanby Enterprise Park	AG	AR	-	-	-
Northern Roundabout Junction	N/A	N/A	-	-	-
South Humber Infrastructure Investment Program	A	A	-	-	-
Lincolnshire Lakes Lake 1	R	AR	-	-	-
Agri-Food Centre of Excellence	N/A	N/A	-	-	-
Holbeach Peppermint Junction	G	A	-	-	-
Scunthorpe Town Centre	N/A	N/A	-	-	-
A46-A15	N/A	N/A	-	-	-
Sleaford Growth Project	N/A	N/A	-	-	-
Sutton Roundabout	G	G	-	-	-
Grantham Technology and Innovation Centre	N/A	N/A	-	-	-
Gainsborough Growth	N/A	N/A	-	-	-
Skills Capital Investment Fund	N/A	G	-	-	-
GL Centre of Medical Science	N/A	N/A	-	-	-
Advanced Engineering R and D Centre	N/A	N/A	-	-	-
Food Enterprise Zones	N/A	G	-	-	-
SLGF Balance	N/A	N/A	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

Growth Deal Performance
AG

Area lead comments

Financial Progress							
LGF Award	2015-16	2016-17	17-18	18-19	19-20	20-21	Total
	£26,400,000	£39,863,787	£12,687,335	£8,733,858	£6,809,606	£18,153,052	£112,647,638
LGF Outturn							
Actual	£ 11,755,834	£ 46,524,178	£ 14,181,938	£ -	£ -	£ -	£ 60,706,116
Forecast for year	£ 8,252,961	£ 46,524,178	£ 8,252,961	£ 18,914,836	£ 18,756,360	£ 20,199,303	£ 112,647,638
Progress towards forecast	142%		172%	0%	0%	0%	54%
LGF Expenditure							
Actual	£ 1,795,452	£ 36,605,631	£ 8,304,579	£ -	£ -	£ -	£ 44,910,210
Forecast for year	£ 15,315,589	£ 34,980,339	£ 15,315,589	£ 23,796,048	£ 18,356,359	£ 20,199,303	£ 112,647,638
Progress towards forecast	12%		54%	0%	0%	0%	40%
Non-LGF Expenditure							
Actual	£ 5,091,730	£ 45,471,567	£ 36,474,796	£ -	£ -	£ -	£ 81,948,363
Forecast for year	£ 48,623,854	£ 45,471,567	£ 48,623,854	£ 65,891,508	£ 39,885,489	£ 47,523,296	£ 247,395,714
Progress towards forecast	10%		75%	0%	0%	0%	33%
Total LGF + non-LGF Expenditure							
Actual	£ 6,887,182	£ 82,077,198	£ 44,779,375	£ -	£ -	£ -	£ 128,856,573
Forecast for year	£ 63,939,443	£ 82,077,198	£ 63,939,443	£ 89,687,556	£ 58,241,848	£ 67,722,599	£ 361,668,644
Progress towards forecast	11%		+70%	+0%	+0%	+0%	35%

Contractual Commitments (manual entry)

	15-17	17-18	18-19	19-20	20-21	Total
Forecast	£ 34,980,339	£ 15,315,589	£ 23,796,048	£ 18,356,359	£ 20,199,303	£ 112,647,638
Actual	£ 36,605,631					£ 36,605,631
Variance	+5%	-100%	-100%	-100%	-100%	-68%

Commentary

Accountable Body Comments - Pending S151 Officer / LEP Board Review

We have recently updated our government contacts (meeting 17/05/2018) on the current spend position on the programme. A number of projects did not meet their outturn forecast however through freedom and flexibility we have hit out overall Growth deal spend target. The higher % outturn reflects this position with two larger advance payments being made to the Skills programme and South Lincolnshire FEZ that were not forecast within the dashboard.

Conversely, utilising freedom and flexibilities impact on the LGF Expenditure result by less reduction on previously advanced funds. We are also currently taking advice as to how to remove the Skegness Countryside Business park project and add in any newer forecasted projects. This is impacting on the overall reported figures. In output terms, projects are beginning to claim outputs however we have taken a cautious approach and only evidenced within the dashboard those outputs that have fully robust evidence. Output delivery will become an increased focus as we move into the 18/19 period.

Following the claim 4 submissions higher risk RED projects have reduced, however 4 projects have seen an increase in their risk rating. This has been due to a variety of factors including late or poorly evidenced claims, lack of output evidence for financially complete projects and failure to meet previously agreed milestones. Urgent meetings have been scheduled with those projects to support and identify any problems for which we will make the LEP board and Government aware.

Section 151 Officer Approved

Name
Signature
Date

Paper 3.2 Skegness Gateway Development Phase 1 (Countryside Business Park)

Author: Mike Reed

Date: 4 May 2018

Background Information

The Skegness Gateway project comprises a mixed use commercial and leisure development over an area of over 37 hectares. The site is owned by Croftmarsh Limited (CM) and comprises a Greenfield site within the Skegness Western Growth Corridor. A scheme proposal for Single Local Growth Fund (SLGF) was approved in January 2018 for £4m of which £1.279 can now be contracted between LCC and GLLEP, with £2.329m remaining provisional subject to due diligence. The total projected cost of both phases is approximately £13.2m.

The basis of Phase 1 is for Lincolnshire County Council (LCC) to purchase approximately 5 hectares of unserviced land, with LCC then providing the infrastructure to allow access and service the plots to be sold at market value. LCC will also construct 6,000ft² of managed workspace units (see attached plan) for small and start-up businesses. The estimated cost of Phase 1 is £2.329m. Phase 2 comprises the wider development and includes the construction of a four leg roundabout on the A52 which will open up the CM land to the south of that location (see attached plan).

Negotiations have been ongoing with CM to agree the principle of the agreement for land purchase for Phases 1 and 2. Initially they agreed to the principle of structuring the land transfers as a two phase approach as stated above, however they have since changed their approach in an effort to secure a longer term commitment from LCC to align with their future aspirations. This increased commitment will be satisfied by LCC agreeing to underwrite the Phase 2 financial shortfall should the SLGF £2.721m not be ultimately approved by the GLLEP post due diligence.

Therefore any proposed sale for Phase 1 will have to have contractual guarantees that Phase 2 will progress to satisfy CM of LCC's commitment.

When Phase 1 is complete, Phase 2 can progress along the lines of the initial bid with the £2.721m being sought from the GLLEP SLGF. If this cannot be secured, LCC will be contractually obliged (with CM) to provide the finance. Ongoing legal negotiations have delayed the project delivery of Phase 1, but recent discussions between LCC and CM have been positive with an informal agreement to proceed being reached.

Spend Profile

The spend profile based on the Project Programme shows a total spend of £1.1m in the 2018/19 financial year and £1.229 in 2019/20. The following table indicates the broad Activities which are shown in more detail on the Programme.

Activity	Year 2018/19 (£k)	Year 2019/20 (£k)	Total Activity Cost (£k)
Land Purchase	550		550
Planning Application	50		50
Construction Works	200	1,229	1,429
Utilities	300		300
Total Cost	1,100	1,229	2,329

Key Milestones

An indicative programme is attached; however this is dependent on final agreement being reached with CM over the land sale. The key dates which can be extracted from the programme are:

- Exchange and Completion of Land Sale 14 September 2018
- Planning Submission 21 August 2018
- Framework Contractor Appointed 29 October 2018
- Site Works Commenced 17 December 2018
- Utilities Instructed 21 January 2019
- Site Completed 4 October 2019

Land Acquisition and Planning

The Heads of Terms have been developed since mid-2017 and much of the outstanding work is around clarifications which are currently under discussion. Therefore it is projected that the purchase of Phase 1 land can be completed by September 2018.

The outline designs (see attached plan) have been produced for Phase 1 to allow a Planning Application to be made in August. There are outstanding Ecological and Noise surveys to be carried out that will require the procurement of specialist external consultants, which have been sourced and are ready to be appointed. The Flood Risk Assessment will be completed within a short timescale using existing LCC resources.

The application for Planning Permission will be done through LCC's Planning Team; this should ensure the project is dealt with as a priority and will enable a more expedient outcome. The Planning Team has already been consulted on this future application and does not foresee any contentious issues. The programme allows for a full 12 week Planning Consultation, but if there are minimal objections then an Officer Decision could be made without referral to the Planning Committee, which could save several weeks in the programme.

Detailed Design Progress

The planned programme (see attached) is for the Land Purchase Agreement to be finalised with CM, followed by the Planning Application work and the selection of the Principal

Contractor via an existing Framework Contract. LCC have been in discussions with two Principal Contractors who are eager to be selected for the Detailed Design and Construction works. Detailed Design will commence once the Principal Contractor and an independent Construction Design and Management Co-ordinator are appointed.

Once the Principal Contractor is appointed a Specification for the road and building design will be developed through discussions between their specialists and LCC. The contractors who have been approached have already received the architectural drawings and basic Specification and Outline Design of what is required for Phase 1. This will enable Detailed Design to start as soon as the Delivery Agreement is signed.

The use of the Framework Procurement will allow early sharing of information to help reduce risks and control the budget. This method of contractor selection is considered preferable to the traditional tender process where risks are not always identified at tender stage and there may be consequential increases in the project programme and cost.

Risk Mitigation

A Risk Register is attached which highlights the current risks and mitigating actions. The risks identified so far are not considered problematic for a project of this nature. They are all manageable with the appropriate mitigating actions.

The severest risk to the project is identified as the lack of Utility capacity. It is becoming increasingly difficult to secure an electricity supply in the remote parts of Lincolnshire. Initial enquiries indicate that there is sufficient capacity in the area for Phase 1, however there are no guarantees that this will be the case until the required amount is secured through the placement of Purchase Orders for electricity and other utility connections such as telecommunications, water and sewage.

Planning Permission is also a risk which may be difficult to control as several objections during the consultation may require the application to be referred to the Planning Committee. This may lead to an unpredictable outcome if unforeseen opposition is received at the Committee. The method of reducing this risk will be to approach all interested parties and Statutory Consultees as early as possible to alleviate any concerns and respond to queries before the Planning Application is made.

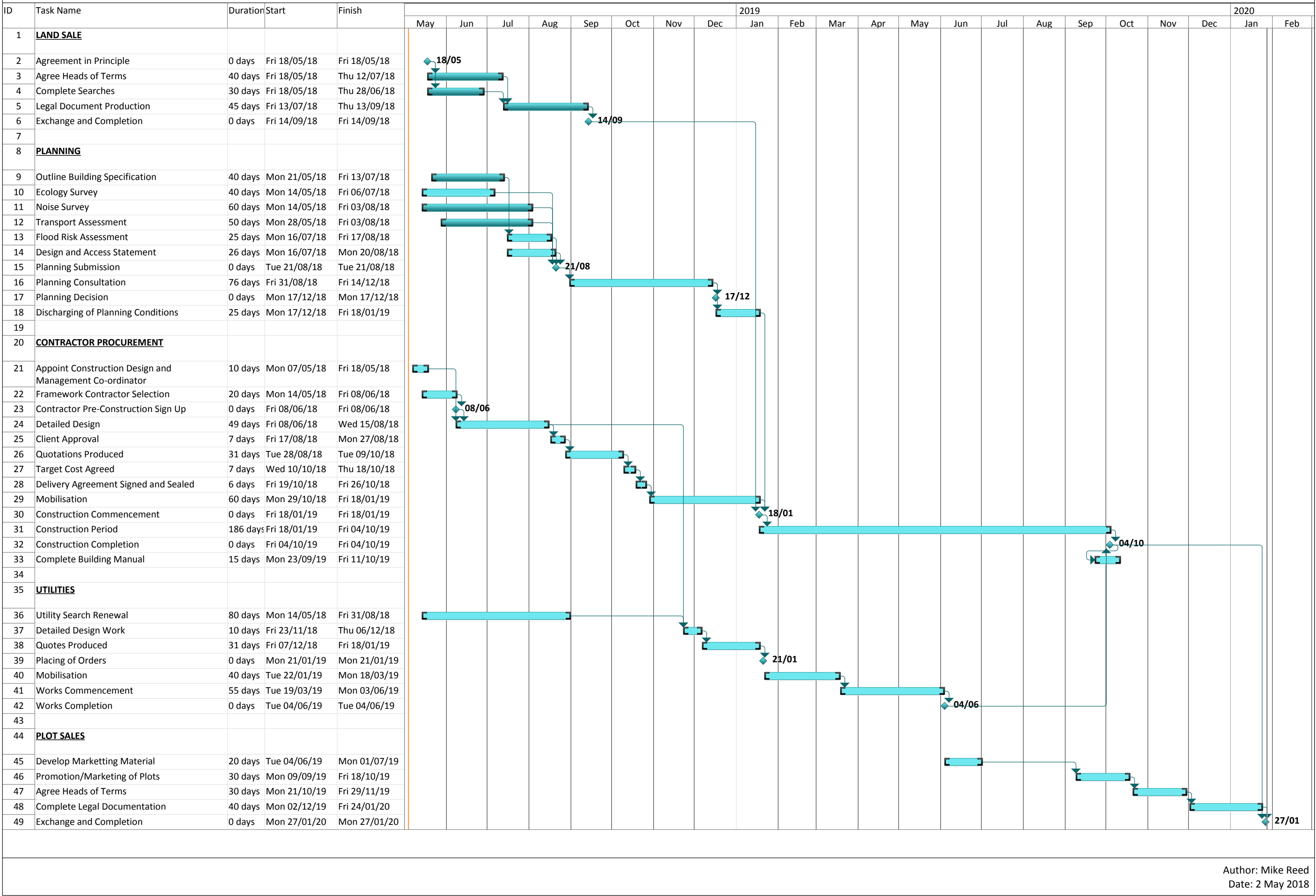
The issue of whether State Aid would apply to the inclusion of a fourth leg on the north side of the roundabout has been investigated by Legal Lincs on behalf of LCC since mid-2017. Separate legal advice has also been obtained from Eversheds LLP in order to clarify whether State Aid would apply. This has potentially been a considerable risk to the Highway works and it is now felt that a position is almost reached whereby this can be discounted under the Regulations stipulated in the Highways Act 1980. A formal judgement on this matter is imminent and it is hoped that this should discount any future legal challenge.

The other risks identified which may be significant are mainly involving CM. These can be best avoided by ongoing dialogue to provide confidence that the development is a high priority for LCC and is being dealt with in an open and trusting environment with thorough knowledge sharing.

Appendices

- Appendix A - Programme
- Appendix B - Risk Register
- Appendix C - Site Drawings

Skegness Gateway Development Phase 1 - Project Programme



Skegness Gateway Development
Project Risk Register

Author: Mike Reed

Version: 2

Date: 4 May 2018

Impact / Probability	Low	Medium	High
	1	2	3

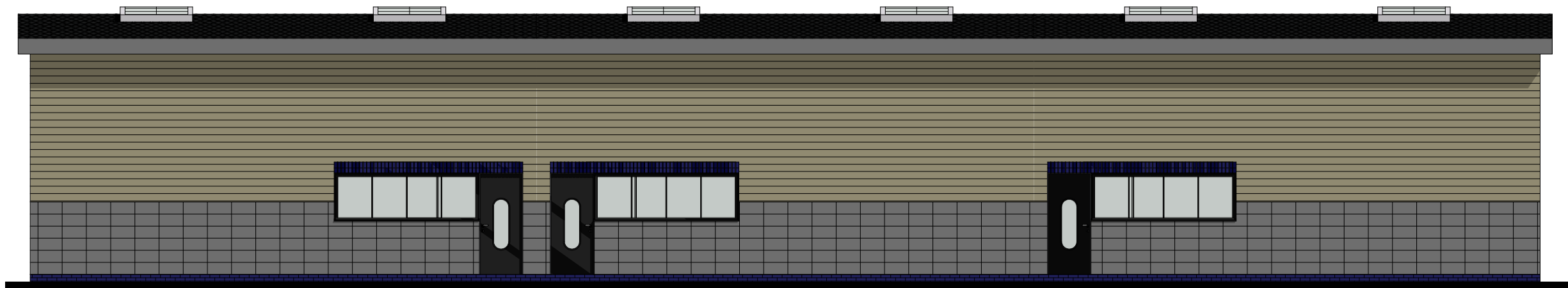
Ref	Description	Date identified	Untreated risk			Treated risk					Comments
			Impact	Probability	Score	Action	Date implemented	Impact	Probability	Score	
1	Utility supply - insufficient capacity in the area	06/11/17	3	2	6	Renewal of initial searches to establish sufficient capacity available	Ongoing	2	2	4	Once capacity is established quotes will be sought for works
2	Planning permission - refusal or deferral of application	04/12/17	3	1	3	Discussions to take place with Planning officers at LCC and ELDC. A full and detailed application to be made with all stakeholders approached in advance	Ongoing	3	1	3	Discussions are ongoing with interested parties
3	Legal agreements - Croftmarsh not agreeing appropriate terms	12/02/18	3	2	6	Regular update meetings with CM to provide confidence of LCC commitment and clarify any risks with a lighter touch from Legal representatives	Ongoing	1	1	1	Ongoing, regular meetings being held with CM
4	Highway access - site being unaccessible due to insufficient knowledge regarding access from existing Highway boundary	06/11/17	2	2	4	Discussions to take place with Area Highways Officers and Floods and Development Team	Ongoing	1	1	1	Discussions ongoing
5	Contractor procurement - high quotations received from sub contractors could produce inflated Target Cost	19/02/18	2	2	4	Sufficient information provided to reduce unknowns and adequate time allowed for quotations	01/03/18	1	1	1	Once Principal Contractor is appointed sub contractors will be approached to notify of upcoming project
6	Contaminated Land	19/02/18	2	1	2	Ground Investigation carried out to establish material content	01/08/17	1	1	1	Detailed GI carried out in 2017 and no sign of any contamination
7	State Aid challenge regarding the inclusion of a fourth leg on the proposed A52 roundabout	06/11/17	2	2	4	Legal consultation and judgement to discount the possibility	Ongoing	1	1	1	Discussions are ongoing. Fourth leg may be justified under the Highways Act 1980
8	CM not accepting the terms of the roundabout Pain/Gain share mechanism for the roundabout Highway Works	01/03/18	2	2	4	Transparency with Highway Civils works procurement	Ongoing	1	1	1	CM to be kept apprised of Principal Contractor selection, with ability to oversee the Priced Bill of Quantities and Specification
9					0					0	
10					0					0	
11					0					0	
12					0					0	
13					0					0	

Skegness Gateway Development
Project Risk Register

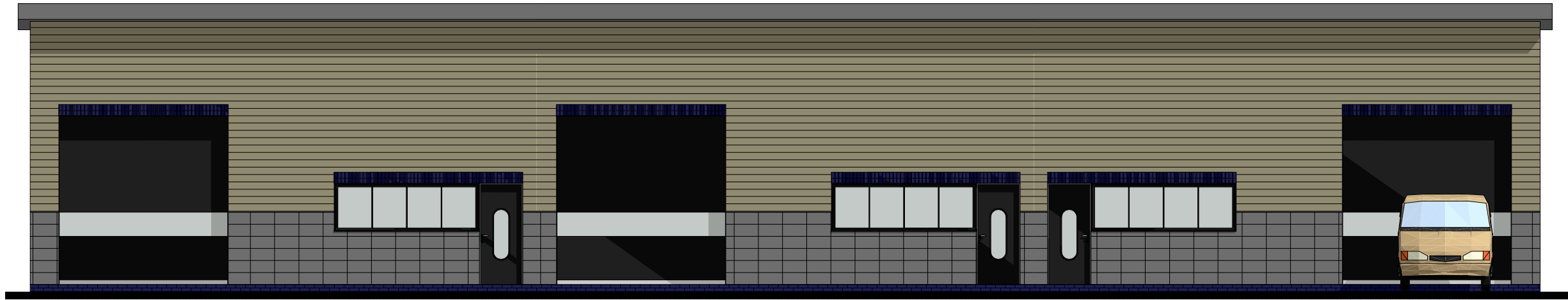
Impact / Probability		
Low	1	High
Medium	2	
High	3	

Author: Mike Reed
Version: 2
Date: 4 May 2018

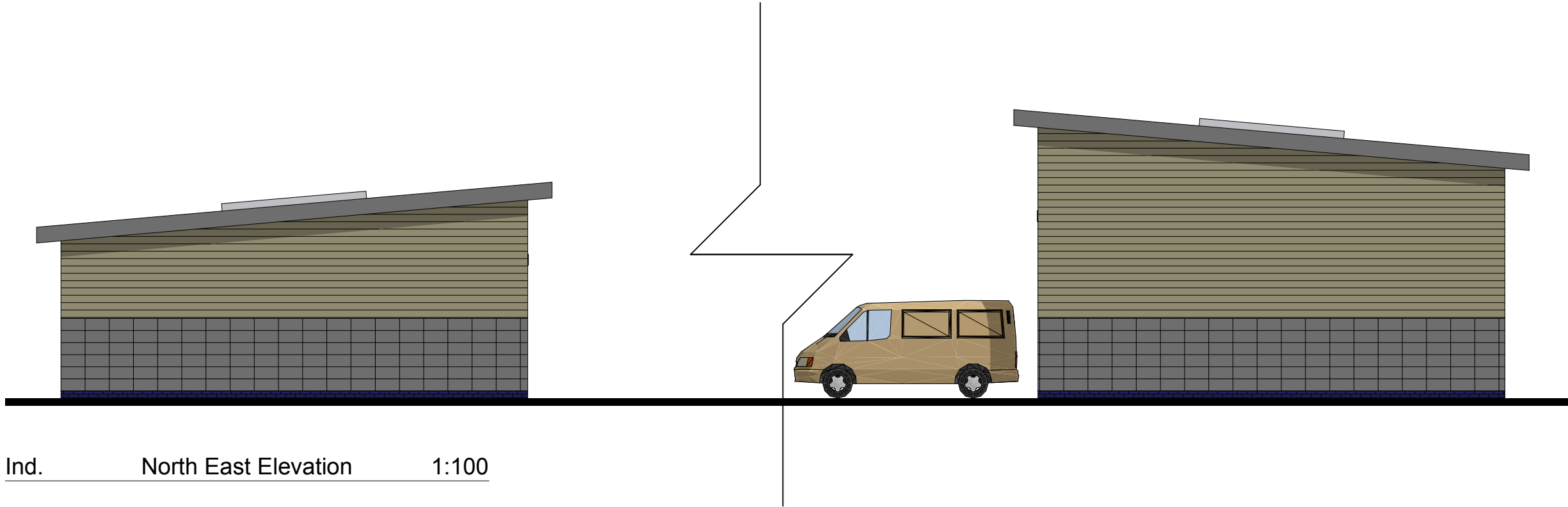
Ref	Description	Date identified	Untreated risk			Treated risk				Comments	
			Score	Probability	Impact	Action	Date implemented	Impact	Probability		Score
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15					0					0	
16					0					0	
17					0					0	
18					0					0	
19					0					0	
20					0					0	
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26					0					0	



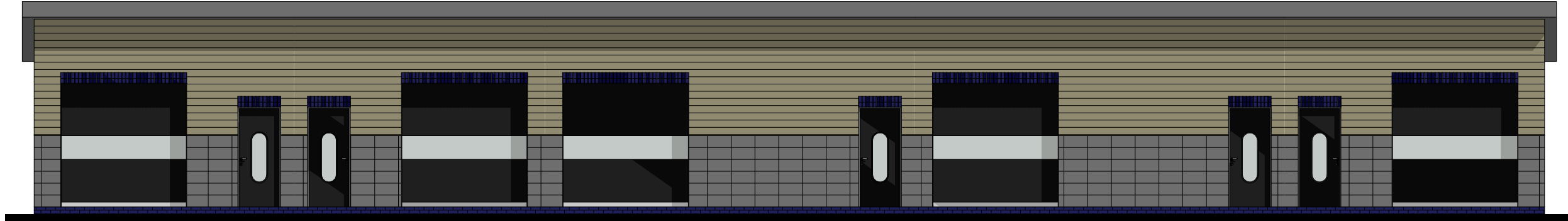
Ind. North West Elevation 1:100



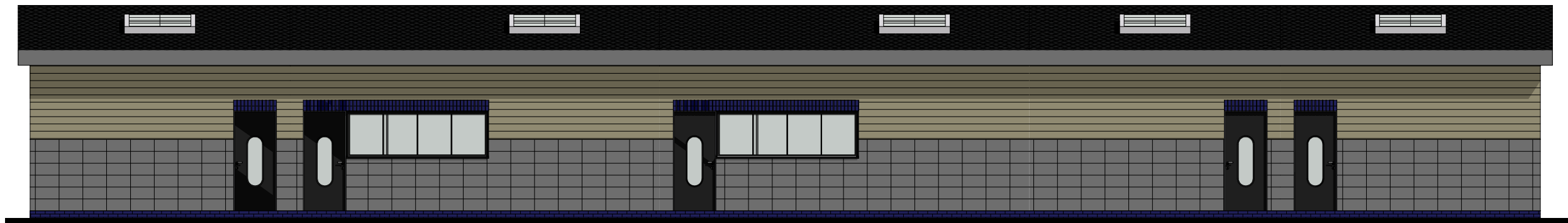
Ind. Courtyard South East Elevation 1:100



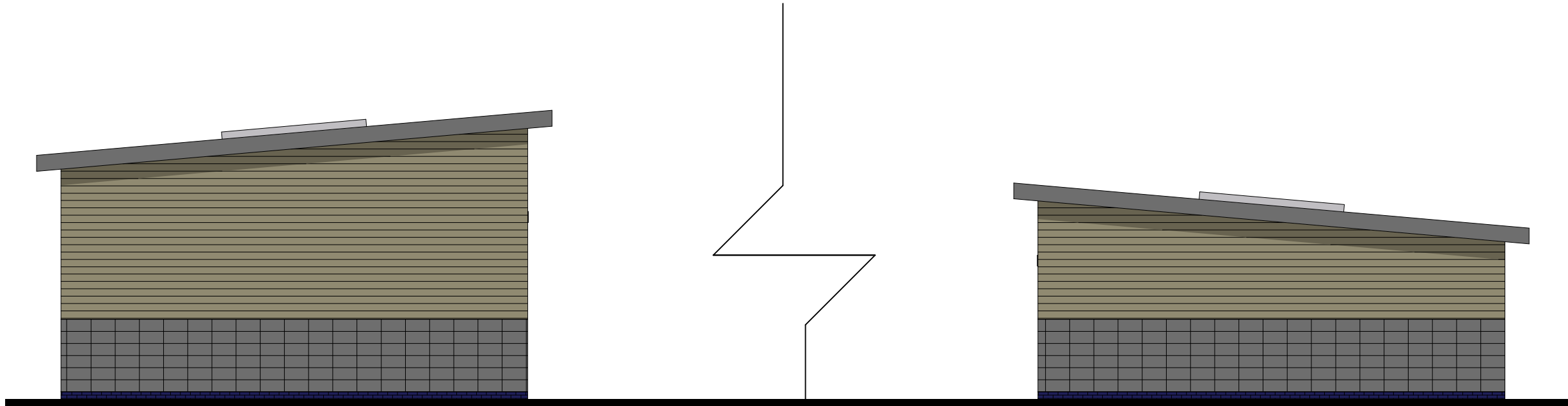
Ind. North East Elevation 1:100



Ind. Courtyard North West Elevation 1:100

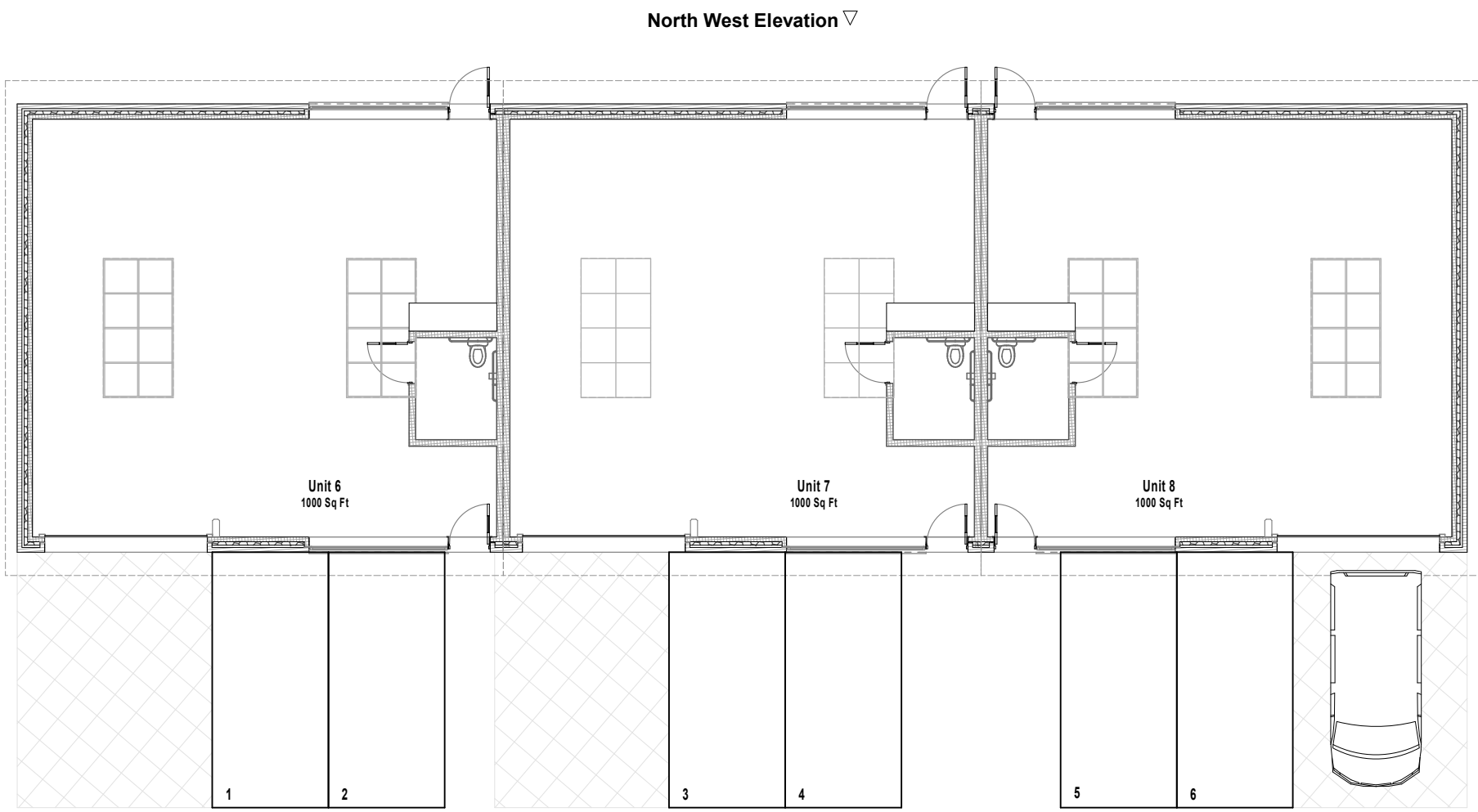


Ind. South East Elevation 1:100

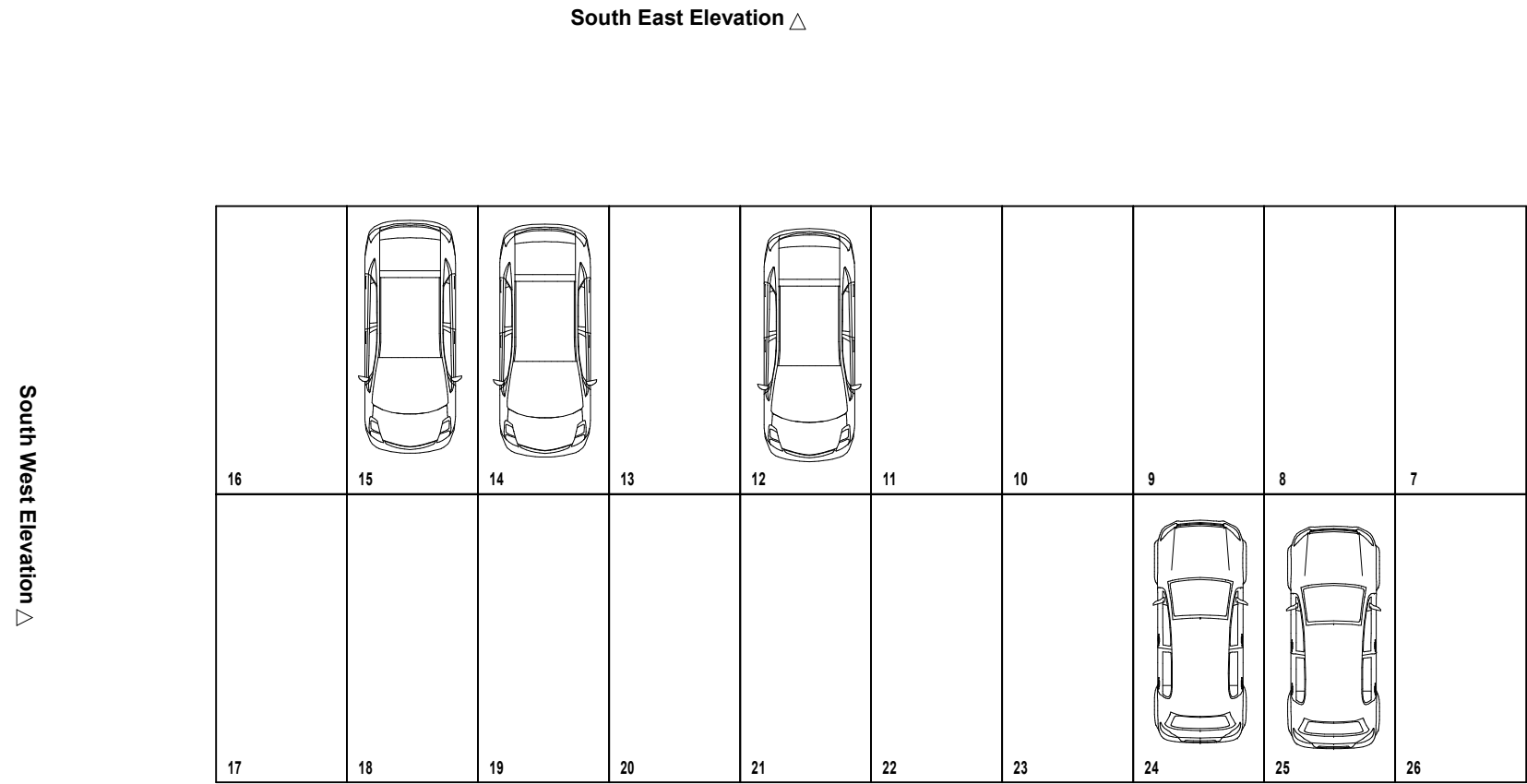


Ind. South West Elevation 1:100

0. Ground Floor (2)

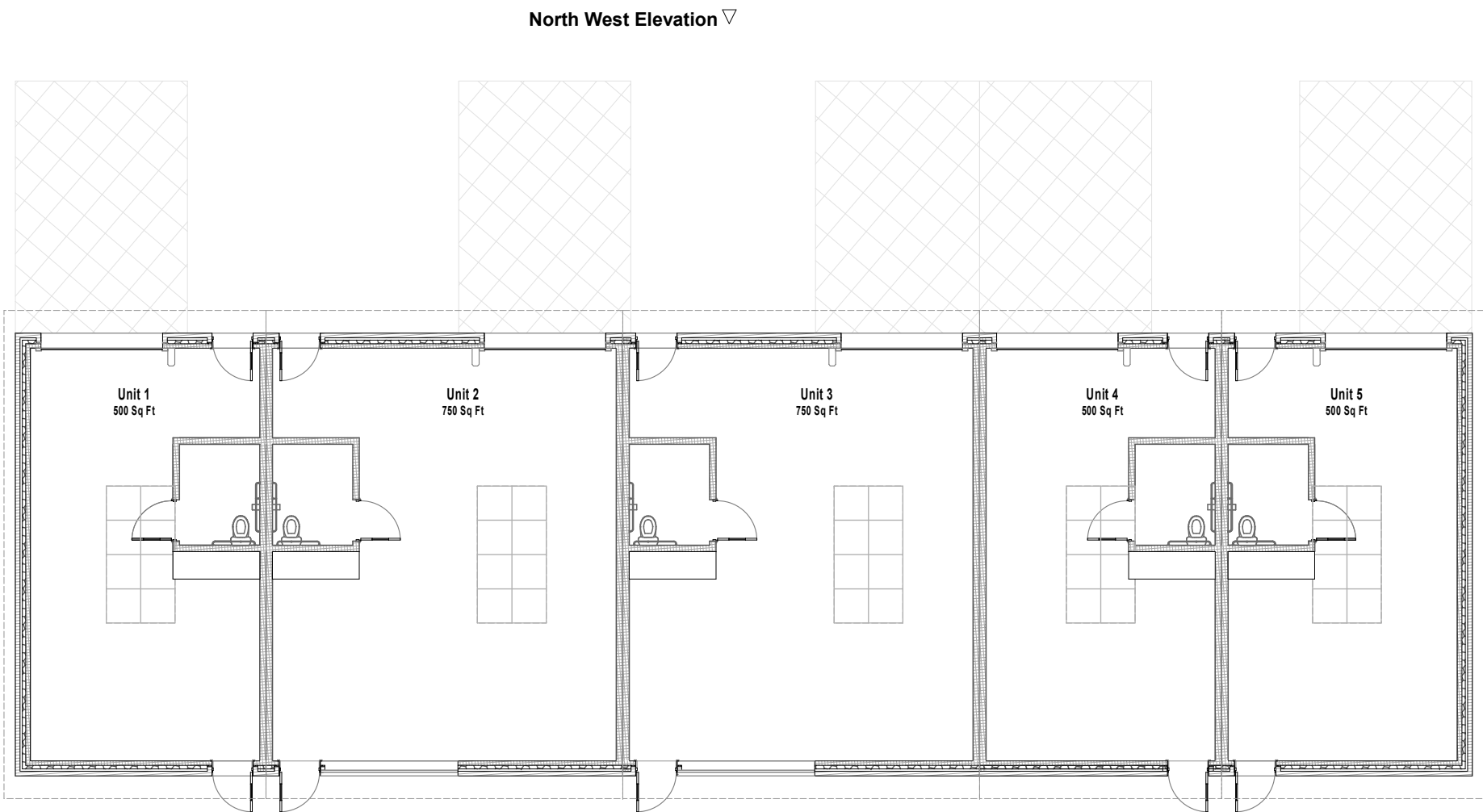


South East Elevation



South West Elevation

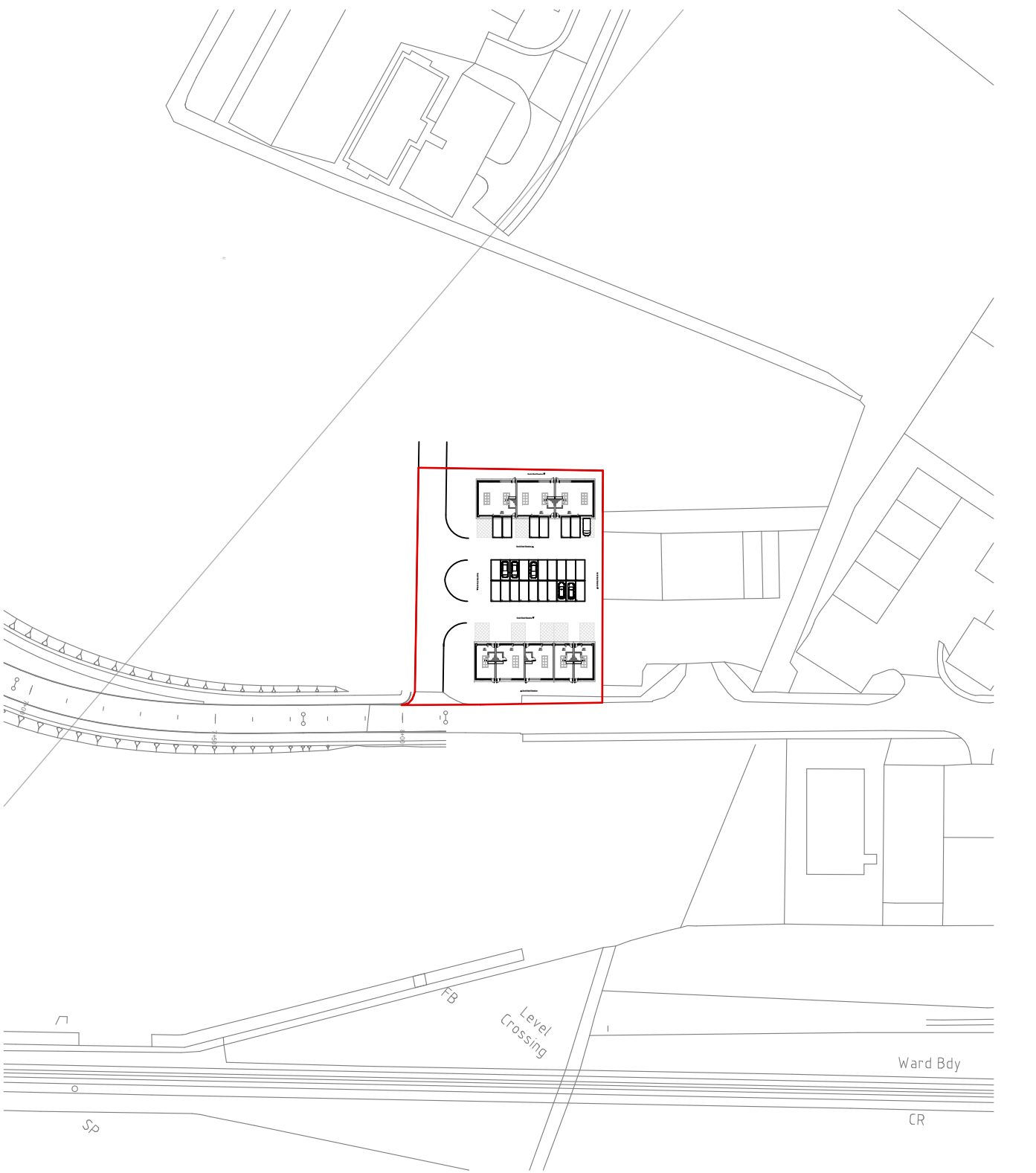
North East Elevation




South East Elevation

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Client : LCC - Economic Development Services						
Client Ref Number :						
Project : Skegness Industrial Units #Project Description						
Site Ref \ USRN :						
Kier Project No : 1075						
Drawing Title : Concept Proposals						
Design: Drawn: Checked: Approved:						
Date :		Scale : 1:100, 1:133.07, 1:1500 @A1				
Drawing No : A.09						Rev. No :

Investment Board

Paper 4 - Europarc Food Enterprise Zone

1. PAPER FOR DECISION

- 1.1 Board Directors are asked to consider the due diligence appraisal for the Europarc Food Enterprise Zone (FEZ) at Grimsby and to approve progression to contracting stage.

2. BACKGROUND

- 2.1 Europarc III is a fully serviced high quality business park which contains a large concentration of agri-food sector businesses and has become the area's premier food park. Existing businesses include; Morrisons, 2 Sisters, Hain Daniels, Ultimate Packaging, Albert Darnell and Haiths. The site also includes two NELC assets; the Europarc Innovation Centre and Humber Seafood Institute which provide incubator business units, meeting and conference facilities to businesses located in the vicinity. It has recently been designated as a Food Enterprise Zone (FEZ).
- 2.2 The project will utilise most of the undeveloped land on this site and provide much needed factory space for investors looking to locate their business in Greater Lincolnshire or expand their operations, if already located here. A lack of advanced factory provision in the North East Lincolnshire area has impacted on the area's ability to attract further inward investment. There is a significant gap between development costs and values and the project would not be able to proceed without Growth Deal funding support.
- 2.3 Europarc III is a fully serviced high quality business park which has the largest concentration of food sector businesses in Northern Lincolnshire.

3. THE PROJECT

- 3.1 The scheme will deliver speculative/advanced factory provision to support the growth of the Greater Lincolnshire food sector and will represent one of the first schemes to deliver floor space within the Greater Lincolnshire FEZ programme. Located in the recently extended Food Enterprise Zone in Grimsby, the two new high quality advanced industrial units of 30,000 sq.ft and 15,000 sq.ft being constructed would attract new investment to the area and offer indigenous businesses the opportunity to expand their operations. The site identified for the project extends to 3.1 acres.
- 3.2 The project has been developed in response to the demand for medium-sized industrial units, particularly from the food processing sector, a major driver of the North East Lincolnshire economy and part of the agri-food sector which is a key priority for GLLEP. As construction costs exceed development values, Growth Deal funding is essential to de-risk the private sector investment in this project.

Investment Board

Paper 4 - Europarc Food Enterprise Zone

- 3.3 Delivery of advance factory premises to facilitate growth of the food sector is one of the priorities of the South Humber Industrial Investment Programme and meets the economic growth objectives within the LEPs Strategic Economic Plan, the GLLEP Agri-Food Sector Plan and North East Lincolnshire Economic Strategy.
- 3.4 North East Lincolnshire Council (NELC) is the grant applicant and would act as Accountable Body for funding. NELC would work with their delivery partner Wykeland Ltd, the developer and landowner of the site, in delivering the two bespoke units at Europarc III, Grimsby.

4. PROJECT COSTS AND LEGAL AGREEMENTS

- 4.1 Greater Lincolnshire LEP has an overall growth deal allocation of £6.8m towards the wider FEZ Programme, of which the Europarc FEZ in Grimsby has provisionally secured £1.8m. Of the £1.8m available, GLLEP legal, due diligence and administration fees totalling £9,000 would be applied (0.5%) leaving a grant amount of £1,791,000 contributing directly to the project delivery.
- 4.2 If successful in securing the growth deal funding, NELC's legal team would draw up a partner agreement with Wykeland Ltd, replicating the terms and conditions of a LEP funding agreement with NELC. Detailed planning permission is expected to be determined in October 2018.
- 4.3 Since the due diligence report was completed, Wykeland Ltd has confirmed that the project will be funded by them solely from cash reserves.

5. OUTPUTS AND OUTCOMES

- 5.1 The project aims to:-
 - build two new speculative agri-food sector units - 30,000 sq.ft and 15,000 sq.ft. (4181sqm of new commercial floor space).
 - attract £1.858m of private sector match funding.
 - enable the creation of 74 new FTE jobs.
 - create 32 construction jobs.
 - achieve £2,588,249 GVA uplift.
- 5.2 The due diligence appraisal demonstrates the scheme as being reasonable value for money, based on detailed estimates for delivery of the scheme; and of high strategic importance to the local and national economy. It is noted, however, that value for money may need to be reviewed in the event that there are any cost increases post procurement in December 2018. Any cost increases would be

met by NELC/Wykeland Ltd to ensure delivery of the project. Unit 1 would be completed by July 2019 and Unit 2 by July 2020.

6. CONDITIONS

- 6.1 Approval of £1.8m (including GL LEP fees) towards the Europarc FEZ project is recommended from the Single Local Growth Fund subject to the following conditions being incorporated within the funding agreement:
- The overall costs for delivering the project are demonstrated upon the provision of the report on tenders and lowest tender received for the scheme. This information is required to demonstrate that the scheme is deliverable in accordance with the deliverability and programme detail provided.
 - A timeframe be provided for the production of detailed design, tendering and construction of the proposed units, subject to a longstop date of 30th September.
 - A Red Book valuation for the land value as existing and to support the value contained within the appraisal to be provided prior to contracting of the project.
 - A Red book valuation of the completed development (all costs, percentage fees, voids and rent-free periods to be justified therein) to be provided as soon as the scheme has completed the detailed design process and secured reserved matters planning consent.
 - Evidence of the developer's source of funding for the project;
 - A copy of the leases granted, in order to evidence rental levels and terms proposed with details of rent review provisions and triggers for rent review, to ensure that the units are let in accordance with market terms and to provide the basis for future assessment of clawback.
 - An assessment of clawback liability to be undertaken five years after completion of the scheme or on freehold disposal of the units, whichever is the earlier event;
 - Evidence of the tendering and placing of the management contract to justify and evidence 5% property management fees.

Investment Board

Paper 4 - Europarc Food Enterprise Zone

The Discounted Cash Flow to be adjusted in the event a lower fee is awarded to agents appointed to manage the completed units.

- A programme and quarterly forecast for the drawdown of SLGF to be provided.

7. RECOMMENDATION

- 7.1 That the Investment Board formally approves £1,791,000 of Single Local Growth Fund towards the Europarc FEZ construction costs, a further £9,000 towards associated GL LEP appraisal/contracting fees and progression of the scheme to procurement and contracting stage.



Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Local Growth Fund

For

**North East Lincolnshire Food Enterprise Zone
Europarc Industrial Estate
Grimsby
North East Lincolnshire**

26th April 2018

Paper 4.1

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APPENDICES

I	BUSINESS CASE AND KEY SUPPORTING DOCUMENTATION
II	DISCOUNTED CASHFLOW

1.0 PROJECT SUMMARY AND PLANNING STATUS

- 1.1 Europarc III is a fully serviced, high quality business park which contains a large concentration of agri-food sector businesses. It has recently been designated as a Food Enterprise Zone (FEZ) as one of three FEZ's within the wider Lincolnshire area. The detailed business case from North East Lincolnshire Council (NELC) submitted to the Greater Lincolnshire Local Enterprise Partnership (GL LEP) is seeking grant funding from the Single Local Growth Fund (SLGF) to meet the cost / value deficit identified by the applicant to be in the region of £1.8 million for delivery of two new food industrial units.
- 1.2 The project as proposed will involve construction of one 2,787 sq. m (30,000 sq. ft.) industrial unit and one 1,393.5 sq. m (15,000 sq. ft.) industrial unit on land at Europarc III, which is in the ownership of Wykeland Limited, also being the delivery partner of NELC, who are the developer and land owner of the site. It is noted that they are undertaking this development on a speculative basis. Wykeland are intending to retain the completed scheme as an investment.
- 1.3 Wykeland Limited has owned the Europarc III site since purchasing it from the Yorkshire Forward Assets Regional Development Agency (RDA).
- 1.4 Wykeland Limited has secured Outline Planning Consent for the subject scheme. The site extends to approximately 1.25 hectares (3.1 acres). Wykeland have already successfully developed over 67,355 sq. m (725,000 sq. ft.) of industrial and business floor space at Europarc since the early 1990s.
- 1.5 It is understood that Wykeland Limited are required to secure reserved matters consent. Following planning approval being secured, Wykeland Limited will go to market to procure building contractors to construct the two units on a phased basis. Once a contractor is appointed, Wykeland Limited will instruct commencement of the first phase of building works.
- 1.6 Construction of the 2,787 sq. m (30,000 sq. ft.) unit is scheduled to commence in January 2019. Each unit will take six months to construct; both units should be built by July 2020.
- 1.7 Marketing of the new Europarc III units will commence as soon as the construction begins, and will continue until occupiers are sourced. NELC and Wykeland Limited will ensure that the new buildings are marketed effectively to the relevant food industry sector.
- 1.8 Target beneficiaries for the project will be businesses from the food manufacturing sector, seeking high quality industrial units within North East Lincolnshire for their business activity and presents a good opportunity for relocation from other non-food related sites or as expansion space for existing businesses.
- 1.9 It is intended that a partnership agreement will be drawn up between NELC and Wykeland Limited that will transfer the terms and conditions in accordance with any funding agreement in place between NELC and GL LEP. This is to ensure compliance with SLGF requirements throughout the delivery of the project and resulting outputs.

1.10 SLGF funding will contribute to the following activity:

- Planning Application fees
- QS and Procurement
- Project Management
- Other professional fees
- Construction and build-out costs

1.11 The specification will include high quality, advanced industrial units that will accommodate food processing specifications for food manufacturing to enable these buildings to be targeted for occupation by the food sector.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

2.1 As noted, SLGF is being sought from GL LEP at £1.8 million. Funding is sought for the project to provide advanced factory food-related units on the Europarc III FEZ site, in order to provide high quality food grade premises which will significantly enhance the choice available to firms, seeking to expand or relocate to the area.

2.2 £1.8 million of SLGF is requested to contribute to professional fees and construction costs of the two factory units, targeting food sector occupiers. The LGF funding represents 49% of the total capital investment with the remaining project costs financed by Wykeland Limited, the landowner and developer. It is not clear as to how the developer is financing their contribution to the project costs, whether is provided from internal company reserves or via private lending. Therefore as a condition of funding it is recommended evidence of funding from Wykeland is provided in order to enable the project, to be contracted.

2.3 With reference to the application, the developer details that it would invest in competing projects elsewhere in the Humber, which reportedly would generate a higher level of return on their investment in the event that GL LEP SLGF were not secured, and the scheme would not proceed.

3.0 KEY ISSUES

Basis and Mechanism for funding

3.1 The applicant is not seeking to rely on the traditional bespoke / speculative programme approach to calculating the requirement for gap funding. Assessing the project on a cost / value deficit basis identifies that grant funding equates to circa 42% of costs, which exceeds the maximum intervention rate of 30% of total costs, assuming that Wykeland Limited is a small enterprise.

3.2 The applicant is therefore intending to rely upon the discounted cashflow approach with regards to the basis for calculating the level of funding. We have requested justifications as to certain components of the appraisal, which are presented in detail in Section 6.0.

State Aid Compliance

- 3.3 Ineligibility of costs – included in Wykeland’s appraisal are holding costs, which are ineligible for funding costs. Sales fees are also included and are also ineligible as the completed units are to be retained by the developer.

Construction costs

- 3.4 As Wykeland are yet to complete the detailed design of the scheme, secure reserved matters consent and tender the works, detailed construction costs have not been provided, nor assessed as part of this due diligence. It is therefore recommended as condition of any funding approved that a copy of the lowest tender and report of tenders is provided to verify the scheme costs, justify amount of funding and demonstrate the project remains deliverable. We would also recommend that a programme be provided for the production of detailed design and tendering for the proposed units subject to a long stop date of 30 September 2018.

4.0 STRATEGIC FIT

- 4.1 The project has strong strategic fit, which is summarised as follows:

The Greater Lincolnshire Local Enterprise Partnership Agri-Food Sector Plan 2014–2020

- 4.2 The strategy recognises the benefits that are created through having the UK’s largest and most progressive food sectors and associated supply chain with Lincolnshire. The Plan concluded that there is a need for investment in exiting clusters, with a focus on delivering high productivity through greater investment in innovation, research and skills development.

This project supports this objective.

Greater Lincolnshire Strategic Economic Plan 2016

- 4.3 To drive the growth of the areas defining and strongest sectors, which offered the most competitive advantage including agri-food; the agri-food sector is estimated to generate GVA of over £2.5 billion and employ over 56,000 people in Greater Lincolnshire.
- 4.4 The Strategic Economic Plan identified the key role of Food Enterprise Zones as a focus for inward investment and indigenous business growth for the agri-food sector by providing high quality industrial space to facilitate growth.
- 4.5 The Food Enterprise Zones will also individually and collectively contribute towards efforts to enhance the promotion of Greater Lincolnshire as a location for inward investment, as set out in the SEP 2016 Refresh.
- 4.6 This project directly contributes to the Greater Lincolnshire LEP’s priorities and the aims of the GL LEP Strategic Economic Plan by;
- Supporting the growth of the agri-food sector, one of its priority sectors;
 - Promoting inward investment through the further development of the regions Food Enterprise Zones, one of these being Europarc III in Grimsby;
 - Proving key infrastructure and connectivity to allocated Food Enterprise Zone sites.

North East Lincolnshire Local Plan 2016

- 4.7 The Local Plan identifies Europarc III as a key strategic employment site in Grimsby. Through the Local Plan North East Lincolnshire intends to encourage developers and investors to positively contribute towards local employment, skills and training. The Local Plan also has a wider contribution to ensure that there is an appropriate and attractive supply of housing, cultural, retail and leisure opportunities, and that the overall quality of the environment and quality of life is very attractive.

Department for Environment Food and Rural Affairs (DEFRA)

- 4.8 Strategic objectives for the UK include creating a world leading food and farming industry, creating a cleaner, healthier environment and a thriving rural economy.

The delivery of the proposed scheme will support these ambitions.

5.0 MARKET ASSESSMENT

- 5.1 There have been a number of studies completed in order to support Food Enterprise Zones throughout the GL LEP area, including the subject site at Grimsby. In the third round of Growth Deal Funding announced in March 2017, £6.5 million was earmarked for Greater Lincolnshire's three Food Enterprise Zones in Holbeach, Hemswell Cliff and Grimsby.
- 5.2 The investment will support infrastructure and services to accelerate the development of the three Zones, creating employment land and enabling key buildings specifically designed to support the growth and expansion of Greater Lincolnshire's agri-food clusters.
- 5.3 Food Enterprise Zones are intended to attract investment and encourage closer ties between food and farming businesses to boost the domestic food and farming sector.
- 5.4 With reference to GL LEP Greater Lincolnshire Agri-Food Sector Plan Refresh (July 2017), a number of recommendations are made in response to the changes in the industry since spring 2014. These recommendations will be used to focus actions taken by the LEP and its partners over the period 2017-2020.
- 5.5 Recommendation 1 - Greater Lincolnshire should pursue an active programme of investment to support the growth of the food sector within Lincolnshire, but where synergies with other LEP areas or national programmes can be found, should seek to play a leading role in programmes over a wider area.
- 5.6 Recommendation 2 - The Greater Lincolnshire Agri-Food Sector should work with education providers to develop a programme of integrated skills and innovation support to facilitate the development of more productive agri-food systems, through a National Centre for Food Chain Automation based in Lincolnshire.
- 5.7 Recommendation 3 - The GL LEP should work with Government to ensure that the food industry is supported to invest in the skills and automation needed to meet future challenges on labour supply and create more productive, higher skilled, higher paid jobs to reduce the longer term need for migrant staff.

- 5.8 *Recommendation 4* - Greater Lincolnshire should develop its programme to support food companies that wish to increase their exports and develop new markets, by working closely with DIT and the Great British Food Unit. Particular attention should be focused on increasing exports to growth markets outside the EU.
- 5.9 *Recommendation 5* - Greater Lincolnshire should focus on developing clusters of food companies, both within and linked to the three FEZs in the GL LEP area and use these FEZs, both to attract further inward investment into the food sector and as hubs for business support services for the food chain.
- 5.10 *Recommendation 6* - Greater Lincolnshire should work with partners to promote the need for continued investment in transport infrastructure to support growth of the food chain, with a focus both on UK connectivity via the strategic road network and international markets via the Humber and other ports.
- 5.11 Having reviewed the GL LEP's 2017 recommendations with regards to the proposed scheme, we consider the SLGF positively supports investment in North Lincolnshire's Food Enterprise Zones as follows:
- through supporting the growth of the food sector within Lincolnshire;
 - by contributing to the creation of more jobs in the agri-food sector;
 - by facilitating more agri-food sector units, thus contributing to clusters of units in existing FEZs.

6.0 DEVELOPMENT APPRAISAL

- 6.1 The financial case prepared by Wykeland Limited for the project has been presented using the traditional approach in the format of a development appraisal, whereby the total project costs are deducted from the total value of the scheme, along with the project Discounted Cashflow. Whilst the latter is not the approach most commonly applied to identify a deficit for a developer led profit, it can be used for projects where a developer intends to retain the scheme and generate revenue..
- 6.2 The development appraisal prepared by Wykeland Limited (and verified by the Council's regeneration delivery partner ENGIE), demonstrates that the project would not proceed without SLGF funding. The development appraisal indicates a significant gap between development costs and the completed investment value of the scheme and this position is accepted as part of this Due Diligence.
- 6.3 The traditional residual development appraisal provided demonstrates that the project would not proceed without grant funding as it is not commercially viable without a grant subsidy. SLGF would be required at 42% of development costs which exceeds maximum intervention of 30% of eligible development costs.
- 6.4 The due diligence undertaken has also reviewed the Discounted Cashflow Appraisal and a number of clarifications were requested as to certain components of the Discounted Cashflow Appraisal. We would summarise our requests and the responses provided as follows:
- We have requested justification of the application of a discount rate of 8.5%. Typically, market rates applied are more in line with 3.5% - 4%, which are more in line with interest costs. Wykeland have responded to advise that 8.5% is reflective

of borrowing rates and risks associated with a restricted market for the units. It is therefore recommended that this matter is reviewed as part of clawback provisions at a time when the units have been let and the position is crystallised.

- We have requested justification of the 5% management fee that has been applied, given that the scheme consists of two industrial units, a high level of management would not be anticipated. The applicant has responded to advise that this is the cost at which they appoint managing agents across a number of their schemes. As this is generally considered higher than industry standards, it is recommended that Wykeland demonstrate that the appointment of managing agents has been via a tender process and to provide a copy of the tender proposals received to confirm value for money in any appointment of managing agents.
- We have requested confirmation of the percentage professional fees assumed in the appraisal. Information to support costs has been provided and is accepted given that some fees have already expended in seeking out the planning permission.
- We have requested justification of a fixed rent over the entire 15-year period. The rental income for both units is fixed over the entire 15-year period and does not reflect any rent increases over the 15-year period. We would expect rent reviews to be undertaken every 3 or 5 years and increases to be at least in accordance with RPI. NELC have responded that there has been little or no rental growth on their units at Europarc for many years and refers to the comparable large units at Peryton Park of 1,672 sq. m (18,000 sq. ft.) and Pegasus Way of 1,486 sq. m (16,000 sq. ft.) which have not witnessed any rental growth over the last 10 years.

On this basis Wykeland argue that it is not appropriate to build in any rental growth to the DCF. Whilst we understand the position as presented by Wykeland Limited, we would maintain that market conditions may change particularly as the FEZ becomes established and the funding agreement will to require a copy of lease agreements and rent review clauses for future clawback assessment.

- We have requested a Red Book valuation for the land value as existing and to support the value contained within the appraisal (all costs, percentage fees, voids and rent-free periods to be justified therein);
- We have requested a Red book valuation of the completed development (all costs, percentage fees, void as and rent-free periods to be justified therein);
- Whilst we are not questioning the rent free period of 12 months that has been included for both units, we would require this to be justified within the Red Book valuation that is to be provided for the completed scheme;
- An updated DCF is to be provided for the scheme once let to assess whether any clawback of grant will be required at the trigger date.
- Although a contract has not yet been tendered, we would expect the provision of the report on tenders and lowest tender received for the scheme. This information is required to demonstrate that the scheme is deliverable in accordance with the deliverability and programme detail provided;
- Evidence of the developer's source of funding for the project;

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 Europarc III is a serviced industrial site, therefore the roads and utilities are already in place and as such the site already has Outline Planning Permission. Wykeland Limited will submit new building plans under the reserved matters process. The Council's Local Regeneration Partnership will manage this application, which is expected to take around eight weeks. Following the receipt of planning approval, Wykeland Limited will procure building contractors to construct the two units on a phased basis.
- 7.2 Marketing of the new Europarc III units will commence as soon as construction commences. The Economy and Growth Team at NELC, working with colleagues at the GL LEP will ensure that the new sites and buildings are marketed effectively to the relevant food industry audiences.
- 7.3 Once a contractor is appointed, construction of the 2,787 sq. m (30,000 sq. ft.) unit is scheduled to commence in January 2019. A six-month void period has been assumed prior to commencement of construction of the second unit.
- 7.4 Given the experience that Wykeland have developing industrial units for the food sector in this market and that the Council is supportive of the project, we would consider the project a low risk.
- 7.5 Each unit will take six months to construct; both units will be built by July 2020, which we would consider to be reasonable timescales for construction of industrial units of this nature.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 NELC has sought independent advice that concludes, with regards to any potential State Aid to Wykeland Limited, it is acknowledged that the first stage of State Aid is met in relation to the transfer of state funds. It is also advised that the delivery of industrial units operates in an acknowledged pan-EU market and therefore the state funding of £1.8 million will normally be held to constitute state aid at the level of the individual developer, who will therefore require a State Aid exemption in order for the project to proceed. They are advised that Article 56 of the 2014 General Block Exemption Regulations (GBER) 'investment aid for local infrastructure' provides an appropriate route for state aid compliance for Wykeland Limited in this case.
- 8.2 The proposed £1.8 million public funding against £3.658 million of the overall capital cost of constructing the two new industrial units at Europarc appears readily State Aid compliant within the requirements of Chapter 1 and Article 56 of the GBER as aid to Wykeland Limited for 'investment in local infrastructure', subject to intervention limits and status of developer. Thomas Lister Limited has liaised with the applicant in order to establish that the funding calculation is indeed compliant with State Aid rules.

- 8.3 Article 56 (6) of GBER requires that 'the aid amount shall not exceed the difference between the eligible costs and the operating profit of the investment. The operating profit shall be deducted from the eligible costs ex ante, on the basis of reasonable projections...'. Total scheme costs are equal to £3,862,000. According to the applicant, the discounted net operating profit from both units is £1,768,934 over a 15-year period, which is reportedly a 'reasonable period' for the purposes of Article 56 (6)). Therefore the maximum amount of aid available for the project is £2,093,066.
- 8.4 The applicant is seeking £1.8 million in grant support from LGF, which is within the maximum aid amount allowed. On this basis the Council is satisfied that the project is compliant with Article 56 of GBER.
- 8.5 It has been discussed within this report that Wykeland are utilising the DCF approach to secure grant funding as opposed to a more traditional residual calculation. DCF is state aid compliant and can be used for this project given that Wykeland are to hold the project as an investment.
- 8.6 While Thomas Lister Limited are not State Aid experts, this project and proposed funding is typical of projects deemed to be State Aid Compliant under the GBER. There were however potential issues to be resolved within the appraisal, which concludes that subject to verification by GL LEP's solicitors, that Wykeland are operating the scheme and all associated costs strictly in accordance with market rates prevalent at the time, the scheme should be state aid compliant.

9.0 PROCUREMENT

- 9.1 NELC in their role as Accountable Body for grant will monitor Wykeland Limited's procurement of contracts for the development at Europarc III. Wykeland Limited will procure suppliers of goods, works and services through an open, transparent and non-discriminatory competition process, in accordance with The Public Contracts Regulations 2015; EU Directive 2414/24 on public procurement.
- 9.2 It is envisaged there will be two separate construction contracts under the OJEU EU Limit for Capital Works. NELCs Programme and Delivery Team and the appointed Project Manager will monitor Wykeland's procurement activity to ensure all regulatory requirements are fully addressed and formal invitations to tender are advertised on the correct platforms and for the specified period.
- 9.3 All project documentation relating to the procurement and contracting will be retained by North East Lincolnshire Council to provide relevant information in the event of an audit or other investigation.
- 9.4 As Accountable Body, NELC will appoint a Project Manager from their existing Programme Management Team who will manage the project through a system of robust monitoring throughout the life of the project. Monitoring and auditing systems are already in place as the council team have considerable experience of managing other capital programmes; these systems can be adapted to suit any additional specific requirements the GL LEP have.
- 9.5 Monitoring of project progress will take place through regular communication with Wykeland Limited, quarterly meetings and site visits. Wykeland will be asked to

complete quarterly reports for NELC who will report to the GL LEP, SHIP Board and internal project sponsors.

10.0 OUTPUTS AND VALUE FOR MONEY

10.1 The outputs estimated to be delivered by the investment into the scheme are detailed in the table below.

Core Outputs	2017/18	2018/19	2019/20	2020/21	2021/22	Future Years	Total
Private Sector Investment Leveraged (£)	nil	782,174	949,397	126,429	nil	nil	1,858,000
Number of new Jobs Created (gross)	Nil	nil	Nil	77	39		116
Local Strategic Outputs	2017/18	2018/19	2019/20	2020/21	2021/22	Future Years	Total
Commercial floor space constructed and occupied (sq. m)	nil	nil	Nil	4,181	nil	nil	4,181
GVA Uplift	-	-	-	-	2,706,700	1,353,300	4,060,000
Construction jobs	nil	nil	34	17	nil	nil	51

10.2 It is noted that jobs, construction jobs and GVA Uplift are required to be subject to adjustment in order to establish net outputs for the scheme. The following adjustments have been applied in accordance with the table below:

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

Core Outputs	2017/18	2018/19	2019/20	2020/21	2021/22	Future Years	Total
Private Sector Investment Leveraged (£)	nil	782,174	949,397	126,429	nil	nil	1,858,000
Number of new Jobs Created (gross)	nil	nil	Nil	49	25		74
Local Strategic Outputs	2017/18	2018/19	2019/20	2020/21	2021/22	Future Years	Total
Commercial floor space constructed and occupied (sq. m)	nil	nil	Nil	4,181	nil	nil	4,181
GVA Uplift	-	-	-	-	1,725,521	862,728	2,588,249
Construction jobs	nil	nil	21	11	nil	nil	32

In terms of value for money, we would comment as follows:

- Private sector investment – private sector investment leverage is estimated at £1,858,000, which is below the benchmark ratio of 1: 2 at 1: 1.03.
- Number of new jobs created – new jobs created at a total of 74 equates to a cost per job of £24,324, which is considered good value for money, in accordance with value benchmarks.
- Commercial floor space – constructed at 4,181 sq. m. equates to a cost per sq. m. of £430 per sq. m. (£39.94 per sq. ft.). We consider this to be high, however it will reflect the speculative nature of the units and additional works necessary for a food-related use.
- GVA uplift – is assessed at £2,588,249, providing a ratio of 1: 1.44, which is considered reasonable value for money.
- Construction jobs – 32 construction jobs will be created as a result of the proposed development.

11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

11.1 The following conditions have been identified as requiring to be incorporated within any funding agreement, should investment be approved:

- i. The overall costs for delivering the project are demonstrated upon the provision of the report on tenders and lowest tender received for the scheme. This information is required to demonstrate that the scheme is deliverable in accordance with the deliverability and programme detail provided.
- ii. We would also advise that a timeframe be provided for the production of detailed design, tendering and construction of the proposed units, subject to a longstop date of 30th September 2018.
- iii. A Red Book valuation for the land value as existing and to support the value contained within the appraisal to be provided prior to contracting of the project.;
- iv. A Red book valuation of the completed development (all costs, percentage fees, voids and rent-free periods to be justified therein) to be provided as soon as the scheme has completed the detailed design process and secured reserved matters planning consent;
- v. Evidence of the developer's source of funding for the project;
- vi. A copy of the leases granted, in order to evidence rental levels and terms proposed with details of rent review provisions and triggers for rent review to ensure that the units are let in accordance with market terms and to provide the basis for future assessment of clawback;

- vii. An assessment of clawback liability to be undertaken five years after completion of the scheme or on freehold disposal of the units, whichever is the earlier event;
- viii. Evidence of the tendering and placing of the management contract to justify and evidence 5% property management fees. The DCF to be adjusted in the event a lower fee is awarded to agents appointed to manage the completed units;
- ix. A programme and quarterly forecast for the drawdown of SLGF to be provided.

12.0 CONCLUSIONS

- 12.1 Europarc III is a fully serviced, high quality business park which contains a large concentration of agri-food sector businesses. It has recently been designated as a Food Enterprise Zone (FEZ).
- 12.2 The project will involve construction of one 2,787 sq. m (30,000 sq. ft.) industrial unit and one 1,393.5 sq. m (15,000 sq. ft.) industrial unit on land at Europarc III, which is in the ownership of Wykeland Limited.
- 12.3 As Wykeland Limited has secured Outline Planning Consent for the subject scheme, the scheme should be capable of commencing within a short period of time, subject to the detailed design process concluding and the works contract being competitively procured.
- 12.4 The scheme is deemed deliverable given that the Wykeland Limited has ownership of the land.
- 12.5 The project will deliver a package of outputs and is considered to provide some reasonable value for money outputs; these may improve, given that the specification of these buildings is high-quality, advanced industrial units for food manufacturing and the project may provide a catalyst for future investment in the FEZ.
- 12.6 It is acknowledged that there are some financial areas of the project that have not been agreed with NELC and Wykeland relating to market terms and rates that may be achieved once the scheme has been completed. It is therefore recommended that these issues are subject to review at the time when the units have been tendered and let, so that an assessment and impacts on the appraisal, funding requirement and clawback can be completed based upon the actual position of the project as oppose to an estimated future forecast.

13.0 RECOMMENDATIONS

- 13.1 It is hereby recommended that £1,800,000 of SLGF is awarded for this project, subject to the conditions noted within Section 11.0 of this report.

Prepared by

.....

Date: 26th April 2018

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Reviewed by

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Date: 26th April 2018

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Investment Board

Paper 5 - Scunthorpe Town Centre Phase 1

1. PAPER FOR DECISION

- 1.1 Board Directors are asked to consider the due diligence appraisal for Phase 1 of the Scunthorpe Town Centre Project and to approve progression to contracting stage.

2. BACKGROUND

- 2.1 In January 2015, a provisional allocation of £4m was awarded to the Scunthorpe Town Centre scheme as part of a wider Growth Deal 2 bid to Government. The overall project will consist of two phases to enable the regeneration of the Church Square area and will include strategic land acquisition, road infrastructure improvements and public realm investment.
- 2.2 Scunthorpe suffered a significant economic blow in recent years with large scale job cuts announced by Tata Steel. In light of the potentially dire consequences of this, in addition to consequent supply chain opportunities, public investment in Scunthorpe is urgently needed. This kick start investment will pave the way for retail, educational and housing investment that will create much needed jobs.

3. THE PROJECT

- 3.1 This project has been divided into two distinct phases, the first of which will assist in the establishment of a business core, creating a civic, learning and business quarter within Church Square. The development will be anchored by new and enhanced facilities for Ongo and NLC as their headquarter buildings.
- 3.2 University Technical College (UTC) is a key partner in the transformation of Church Square and is providing match funding. The UTC itself is a business led educational establishment overseen by a Board of businesses. Ongo, the Registered Provider (social landlord, incorporating North Lincolnshire Homes) is also a key delivery partner for the redevelopment of office space in the Church Square area, having committed to relocate their headquarters into a new town centre office development. North Lindsey College, Citizen Advice Bureau will also work as part of the transformed integrated service project. Collectively, the public sector match funding contributing to this phase of development is £23,360,050.
- 3.2 The delivery of the new Council Headquarters is an essential part of the regeneration of Scunthorpe Town Centre as a place to do business and learn. The extension to the current facility will see 900 staff use the headquarters as their base and the consolidation of the Council office accommodation is supporting both Greater Lincolnshire and North Lincolnshire's approach to One Public Estate. The project will

Investment Board

Paper 5 - Scunthorpe Town Centre Phase 1

be managed by North Lincolnshire Council, utilising the construction framework and will be delivered through the council's capital programme.

- 3.3 Greater Lincolnshire LEP has an overall growth deal allocation of £4m towards the wider regeneration scheme, of which Phase 1 would require £285,325 of growth deal towards NLC acquisition of land to enable development of new NLC headquarters as part of its One Public Estate vision, immediately adjacent to a new ONGO headquarters already being constructed in Church Square. Ongo is the main housing provider in North Lincolnshire, and their recent investment will provide a key town centre location and fit within Ongo's own aspiration to act as an enabler in Scunthorpe's regeneration, bringing up to 300 service sector jobs into the building with an additional 165 hot-desked units.



Ongo Headquarters

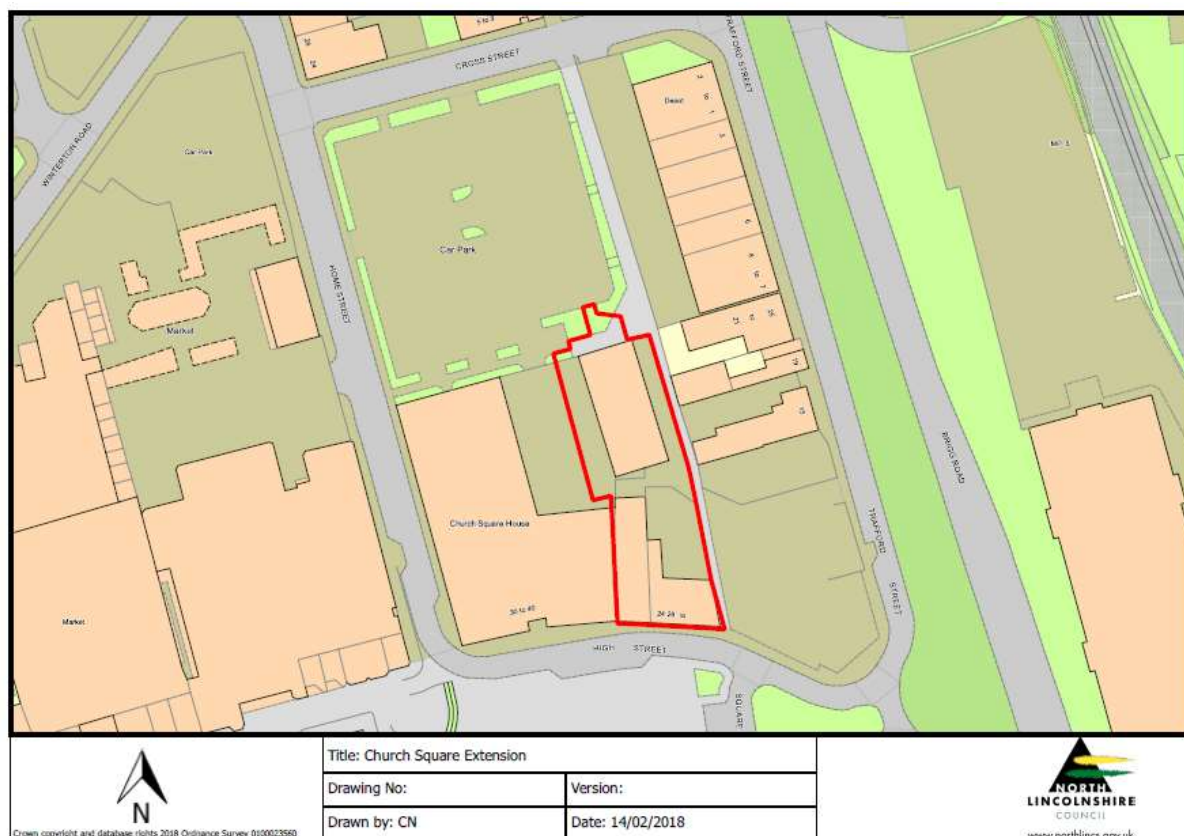


NLC Headquarters



Investment Board

Paper 5 - Scunthorpe Town Centre Phase 1



- 3.4 The first part of the Scunthorpe transformation scheme has already begun with the Humber University Technical College (UTC), which successfully opened in August 2015. The UTC specialises in renewable energy and engineering and is a business-led institution.
- 3.5 The delivery of a new single integrated offer through the refurbishment of Scunthorpe Library will create a 'single offer' for those in the community who require support to access work and those looking to improve their skill level, as well as traditional library services. This project forms part of phase one and will be ready for opening in April 2018.
- 3.6 NLC originally submitted an application to GLLEP for £800,000 of grant towards land acquisition costs. However, having completed due diligence, some of these costs are not deemed eligible for growth deal grant support as explained in more detail within the appraisal report.

Investment Board

Paper 5 - Scunthorpe Town Centre Phase 1

4. OUTPUTS AND OUTCOMES

Output Profile							
	2017/18	2018/19	2019/20	2020/21	2021/2022	Future Years	Total
Public Investment Leveraged (£)	17,034,050	526,000	200,000				17,760,050
Private Sector Investment Leveraged (£)		£5,800,000					£5,800,000
Number of new Jobs Created (gross)		60					
Commercial floor-space refurbished /constructed and occupied (sqm)		5831m2					
Number of learners supported		4					
Additional Outcomes							
Job Seekers		100	100	100	100	100	600

- 4.1 The due diligence appraisal demonstrates the scheme as being very good value for money; however, this is based on the remaining funding being confirmed by NLC to meet the cost of the land acquisition concerned.

5. CONDITIONS

- 5.1 Approval of £285,325 towards Phase 1 of the project is recommended from the Single Local Growth Fund subject to the following conditions being met:
- That SLGF only be used to fund the costs of acquiring the KM Cross site up to market value of £282,500, plus legal fees for acquisition of 1% resulting in a total funding requirement of £285,325.
 - The balance of SLGF of £514,675 to be redirected to other eligible Phase I costs or infrastructure within the Phase II scheme; NLC to identify the works and associated phases that the balance of the SLGF could be invested in.
 - The overall costs for delivering the project are demonstrated upon the provision of a costed specification and supporting plans, or the provision of the report on tenders and lowest tender received. This information is required to demonstrate that the scheme is deliverable in accordance with the funding that has been secured to date.

Investment Board

Paper 5 - Scunthorpe Town Centre Phase 1

- A full programme for the acquisition, detailed design, procurement and construction of the scheme to be provided.
- A programme for the drawdown of SLGF to be provided.
- A state aid legal opinion to be provided from NLC in relation to the activities that SLGF is to fund.

6. RECOMMENDATION

- 6.1 That the Investment Board formally approves £285,325 of Single Local Growth Fund towards strategic land acquisition costs for Phase 1 of the Scunthorpe Town Centre subject to the above conditions. The remaining £514,615 of the £800,000 originally requested towards Phase 1 land acquisition to be reconsidered in relation to other eligible elements of the scheme.



Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Single Local Growth Fund

For

**Scunthorpe Town Centre, Phase I
Scunthorpe
Lincolnshire**

**20th March 2018
Paper 5.1**

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APPENDICES

I	BUSINESS CASE AND KEY SUPPORTING DOCUMENTATION
II	REPORT AND VALUATION KM CROSS

1.0 PROJECT SUMMARY AND PLANNING STATUS

- 1.1 North Lincolnshire Council (NLC) are leading on the redevelopment of Scunthorpe Town Centre, and have submitted an application for Single Local Growth Fund (SLGF) for £800,000 to contribute towards the delivery of Phase I of the scheme.
- 1.2 The total investment required for the transformation of the Town Centre is estimated to be in the region of £60 million, for which some of the work and investment has already been completed. To date, the Humber University Technical College (UTC) has invested £11 million in a new educational facility for 14-19 year olds, which completed in 2015.
- 1.3 The UTC specialises in renewable energy and engineering and is a business led institution.
- 1.4 In addition an integrated service building is currently being delivered at a cost of £1 million, through the refurbishment of Scunthorpe Library. The centre provides support to the local community to access work and for those residents seeking to improve their skills levels, along with a provision of traditional library services. This project will be ready for opening in April 2018.
- 1.5 The Phase I scheme, subject to this application, will assist in the establishment of a business core, creating a civic, learning and business quarter within Church Square. The development will be anchored by new and enhanced facilities for Ongo and NLC as their headquarter buildings.
- 1.6 Ongo are the main housing provider in North Lincolnshire and are to relocate to a new head office within Scunthorpe Town Centre. Up to 300 service sector workers would be provided at the site with 165 hot desk units, which along with NLC's head-quarters are envisaged to provide a footfall of up to 900 service and private sector officers. The development will complement the university presence and, along with proposed new housing development, is intended to bring a significant non-retail diversification to Scunthorpe Town Centre.
- 1.7 The delivery of the new council headquarters will enable consolidation of council office accommodation and will create further opportunities for public sector integration with the police. Proposals therefore support the One Public Estate approach to enable the development of a public sector hub on a single site.
- 1.8 The scheme will result in the construction of 5,831 sq. m. of new floorspace and will be a major step forward in facilitating the regeneration of Scunthorpe Town Centre.
- 1.9 NLC confirm that planning permission for the Council and Ongo headquarters and the library are all in place and therefore subject to the land acquisition and detailed design process being completed, the scheme could be ready to commence on site late summer 2018 for Ongo, with the council headquarters in 2018. Both schemes would be complete around 12 months following start on site.
- 1.10 Much of the land required for the scheme has been assembled by NLC in order to enable redevelopment to proceed. This is with the exception of a site in the ownership of KM Cross, which currently operates as a car showroom and motor

repair facility. Terms for the acquisition of KM Cross's site have been agreed by NLC at £850,000.

- 1.11 GL LEP funding is sought at £800,000 to contribute to the acquisition of the KM Cross site.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 As noted, £800,000 of SLGF is sought from GL LEP towards the acquisition of the KM Cross site. The balance of funding for Phase I, estimated at £23,560,050, (some of which has already been invested) has been secured from a range of sources. The funding sources and status of each are summarised below;

- £11 million – University Technical College – confirmed and invested.
- £1 million single integrated offer – library and community services – confirmed and invested.
- £5.8 million – Ongo Headquarters – confirmed.
- £4,910,050 million Council owned land – confirmed.
- £850,000 land assembly for KM Cross - £50,000 confirmed from NLC.

- 2.2 The funding from GL LEP is the final element of funding to be secured in order to facilitate development.

3.0 KEY ISSUES

- 3.1 The redevelopment of Scunthorpe Town Centre is recognised as being a strategic and important project for regeneration and economic growth, not only within Scunthorpe but also given impacts on the wider North Lincolnshire area for sustainable economic growth.

- 3.2 Notwithstanding this, a number of key issues have been identified which are required to be addressed, which are summarised as follows;

- 3.3 i. Land Acquisition Costs for KM Cross

A Report and Valuation had not been provided within the original Business Case to support the acquisition of the site at £850,000.

NLC subsequently provided a valuation for the site, which identified this to have a market value of £282,500. NLC are therefore proposing to pay £567,500 to KM Cross in excess of market value.

The level of payment in excess of market value is deemed on face value to be excessive and no supporting information was provided to justify the extent of overpayment proposed.

NLC have responded to the request for clarification, advising that the overpayment has been agreed to reflect the additional costs that would be incurred in the event that a compulsory purchase order (CPO) would be required to secure ownership of the site.

NLC were required to provide a breakdown of likely anticipated CPO costs in order to support the overpayment, which was duly provided. However upon review of these, it is noted that only £65,562 are considered to be potentially bona fide costs relating to a CPO process in terms of eligibility for compensation, assuming business extinguishment and associated fees and costs that would be incurred in this regard. In the absence of any detailed information and accounts for KM Cross, an estimate of potential compensation cannot be reasonably assessed.

Therefore, at this time £285,325 (acquisition and legal fees) of SLGF is identified as being reasonable and appropriate to contribute towards the acquisition of the KM Cross site. In the event that the £850,000 is non-negotiable, NLC have the option to meet the balance of the payment required from their own resources. The SLGF therefore requires to either be reduced, or the remaining balance redirected to contribute towards the cost of works on site in delivering the phase I, phase II schemes.

3.4 ii. Construction Costs for Delivery the Phase I scheme

A costed specification of works and scheme drawings has not been provided in relation to the proposed scheme. It is understood that the budget has been prepared internally by NLC utilising benchmark costs incurred on other local developments.

Whilst the costs for delivering Phase I are not necessarily disputed, at this moment in time no further information or supporting evidence has been provided in relation to the scheme and the construction costs. It is hereby recommended that either scheme plans and a costed specification for the proposed works is provided as a condition of funding, or a copy of the lowest tender and report on tenders for the scheme once a contractor has been procured is provided for review and signoff by GL LEP.

3.5 iii. Programme for Delivery

A detailed programme for the delivery of the scheme and associated drawdown of GL LEP funding has not been provided. The timescale for delivery of the project is therefore highly indicative at this stage and could need to be varied in the event that a CPO was required to secure the KM Cross site and for SLGF were allocated to other eligible costs within the phase I or phase II schemes.

- 3.6 It is hereby recommended that a detailed programme for the scheme and drawdown of funding is provided as a condition of any offer of funding from GL LEP, once the decision relating to investment of SLGF has been determined.

4.0 STRATEGIC FIT

- 4.1 The Scunthorpe Town Centre project has been demonstrated to have high strategic fit, in accordance with the following strategies;

4.2 i. GL LEP Strategic Economic Plan (SEP)

The project support the SEPs objectives to see area-based schemes with the ability to unlock housing development, improve the transport network and increase the vitality of town centres being delivered.

This project supports the aspirations of the SEP through funding enabling infrastructure in order to create the conditions for local growth and thus driving economic growth.

4.3 ii. North Lincolnshire Council

The project supports a number of NLCs strategies, including The North Lincolnshire Core Strategy 2011 and the Housing and Employment Land Allocation DPD.

These strategies articulate and evidence the need for housing and economic growth within Scunthorpe Town Centre, specifically with a requirement for 300 new homes. The redevelopment of the town centre is therefore in accordance with this strategy.

4.4 The project also supports the priority of the North Lincolnshire Councils Prosperity Strategy – creating the environment for growth. Redevelopment of Scunthorpe Town Centre is therefore identified as critical to halt the on-going decline and deterioration of the town centre and also to deliver a scheme with the ability to drive forward the housing market and create conditions for positive economic growth.

4.5 The regeneration of Scunthorpe is identified as a key component for the successful transformation of North Lincolnshire as a whole.

5.0 MARKET ASSESSMENT

5.1 An assessment of market conditions has been undertaken by NLC utilising a number of existing research documents across a range of sectors, all of which have underpinned redevelopment proposals for the town.

5.2 The key elements of research are briefly identified as follows;

5.3 i. Retail

Retail remains the significant component of successful and economically sustainable town centres. Scunthorpe has inevitably suffered as have many centres with the growth of out-of-town and internet shopping, with the traditional high street being under threat.

The Parishes Shopping Quarter in Scunthorpe has seen a decline in the national multiples that were once present on the high street. The Foundry is a refurbished shopping precinct which also includes the covered Southgate Mall. There is a department store and several national retailers located along the pedestrianised high street, whilst the eastern side of the town centre currently includes the indoor market, library, 20/21 Visual Arts Centre and Church Square House.

The town centre currently has around 57 vacant units within the core centre boundary, which accounts for 16.5% of total retail units, which is higher than the average vacancy rate of 11.5%.

Furthermore the condition of the vacant units has declined since the last survey, with 42.1% classed as being in a poor or very poor condition. In order to improve and

sustain the retail offer in the centre, it is identified as necessary to secure complimentary mix use to support both day and night time economies.

5.4 ii. Residential

The Strategic Housing Market Assessment (SHMA) provides an evidence base in relation to housing market conditions within the wider North Lincolnshire area.

This strategy identifies that around 300 new homes are required within Scunthorpe across a range of unit types and tenures.

Whilst the subject scheme does not include any element of residential, the intention being that the establishment of the UTC, and significant presence of service sector workers within the Council Headquarters and Ongo's facility will be the catalyst for new residential development within the town centre. Residential living in the town centre will assist in delivering a mixed use environment necessary to support a sustainable and diverse local economy.

5.5 iii. Employment

Scunthorpe is the sub-regional economic centre for North Lincolnshire and provides a key function as a business and learning centre. Issues to address skills shortages within the local community and particularly for education for 14 to 19 year olds has been identified and being as addressed through the establishment of the UTC.

The necessity to increase employment opportunities within Scunthorpe, particularly for white collar workers, has been identified within the Core Strategy. The consolidation, expansion and improvement to the service economy that will be delivered by the NLC's and Ongo's headquarters facilities and the library will assist in delivering major new employment opportunities to the town centre.

6.0 DEVELOPMENT APPRAISAL

- 6.1 A Development Appraisal in the traditional format has not been provided for this project, on the basis that this is a land acquisition and redevelopment project for bespoke facilities which will be retained and occupied by NLC, Ongo and other supporting organisations.
- 6.2 The key element of the project to be assessed is therefore demonstration that GL LEPs funds will be utilised to meet land acquisition costs at market value, with some potential increase in costs that may represent costs incurred should a CPO be required.
- 6.3 NLC provided the justification below in seeking the additional SLGF in addition to market value:

• Rule 2 Compensation (Land & Buildings):	£282,500
• Total Extinguishment (Value of Goodwill):	£282,500
• Basic Loss Payment (value of interest @ 7.5%):	£ 21,187
• Occupiers Loss Payment (value of interest @ 2.5%):	£ 7,062
• Professional fees (Agents, Legal, Accountants):	£ 8,500

Total: £601,750

- 6.4 As the statutory process associated with a CPO is typically neither expedient, nor cheap, there is inherent uncertainty, because until such time as the Secretary of State confirms the CPO, (if indeed it is eventually confirmed), there is no certainty the scheme can proceed. Timescales are typically around 18 months to secure the powers. It is envisaged the estimated costs associated with the CPO process itself if the owner objects and the process runs its entirety, would be circa **£50,000**.
- 6.5 Accordingly, depending on the individual case circumstances, there can be commercial justification for paying an increased level of consideration above Market Value to mitigate against the issues of (i) cost; (ii) time delays; and (iii) uncertainty pending confirmation of the CPO.
- 6.6 As mentioned above, acquisition via a CPO, would also open up the entitlement to additional statutory heads of claim for the owner, including statutory loss payments, business disturbance and costs. In this case, the most significant head of claim would be in respect of business disturbance. The Owner – Mr K Cross – seemingly satisfies the criteria to obtain compensation for total extinguishment of the business, in so far as he is over 60, the Rateable Value is below £34,800 and no part of the goodwill has already been sold. The head of claim for total extinguishment is based on the estimated value of the goodwill attributable to the existing business. This is traditionally assessed by reference to the average net adjusted profit for the preceding 3 years audited accounts and applying a multiplier between 1 & 3. This is the traditional methodology, but the Courts have accepted a departure towards alternative accounting methods for determining the value of goodwill which can result in a higher quantum of compensation under this head of claim. In this case the Lands Tribunal accepted a departure from traditional methodology and awarded disturbance compensation for extinguishment on the basis of a price:earnings (P/E Ratio) or Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) approach.
- 6.7 Having not had sight of any accounts it is not possible to estimate the level of compensation which Mr Cross may have been entitled to claim under a CPO. Nevertheless, for indicative purposes, when undertaking budget estimates for CPO acquisitions, where it is considered, the affected landowner may be entitled to claim total extinguishment it is common practice amongst the acquiring authority's valuers, to provide an estimated figure for goodwill compensation, based on amount equal the value of the land and buildings, albeit caveated that an analysis of the accounts, remains a requisite.
- 6.8 Further to the CPO consideration detailed above, the following short and longer term regeneration aspects associated with the purchase which were factored into the Councils case to purchase, notably:

- Increase in town centre footfall contributing to area economy growth and the increase in NNDR revenue.
- The pump priming effect of the development on the wider town centre.
- The consolidated land value and 'enabling' effect of the acquisition (the Council owns land around the K M Cross site, however this land was not sufficient to enable the office development to progress without the addition of the KM Cross land)

The value the Council attached to these points is:

- the difference between the K M Cross NNDR revenues and the expected revenue from the proposed new Ongo development, which equates to an additional circa **£40,000 per annum**, and
- An estimated value of an additional £100 per person contribution to the local economy relating to increased footfall in the wider town centre as a result of the development and other consequential developments. This equates at the time of investment it was anticipated this would deliver an increased footfall 1445 people. This results in a wider financial benefit to the local economy of **£144,500.00**.

6.9 In conclusion this results in an estimated total value of both the CPO and Regeneration benefits and costs of £836,250.00.

6.10 Thomas Lister have reviewed the above information and in accordance with our understanding and experience of the CPO process identified the following issues:

- Rule 2 Compensation for market value of the asset - accepted.
- Total extinguishment - This cost is not accepted as it has not been substantiated and no analysis of the companies accounts have been undertaken. Furthermore, there does not appear to be any accounts registered at Companies' House under the name of KM Cross, which means that there are either none filed, which would be very odd, or they are filed under a different company or group of companies. This position therefore needs to be addressed. As at present there is no means of justifying this cost within this due diligence report.
- Basic Loss Payment is paid where to an investment owner and not an occupier/business operating out of premises. As business extinguishment is being sought, it is assumed this head of claim would not be eligible.
- Occupier Loss - providing that the criteria for this are satisfied this cost may be an eligible head of claim.
- Professional and legal costs seem reasonable.
- If KM Cross are extinguishing the business, there is no entitlement to disturbance costs as the business is not relocating and will be ceasing trading.
- Consolidated land value and loss of revenue to the Council - The basis and rationale stated to underpin this claim as cost from GL LEP is not clear, it certainly

does not form part of the CPO and compensation process and has therefore been discounted this. Similarly the claim for loss of footfall is excluded as there is no rational, justification or basis to include this as a cost and claim against the SLGF.

- 6.11 NLC's response has been to confirm that no further information or justification can be provided in relation to the compensation payments proposed. On this basis it is recommended that the SLGF is approved for the acquisition of the KM Cross site at market value plus 1% for legal fees, with the balance of SLGF to be invested in other eligible costs within either the Phase 1 or Phase II scheme.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 As noted earlier under Section 3, indicative information only has been provided in relation to costs and programme for the scheme. It has therefore been recommended that further information be provided to substantiate overall development costs and that sufficient funding has been secured in order to be able to meet these along with a programme for delivery of the scheme.
- 7.2 Positively, it is noted that planning permission has been secured for the development and the majority of land assembled by the Council and now in public sector control necessary for project delivery.
- 7.3 Subject to further information being provided in relation to scheme costs and programme, there should be no issues relating to deliverability of this project.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 The Business Case from NLC sought SLGF from GL LEP to contribute towards the acquisition of the freehold interest of land in the ownership of KM Cross.
- 8.2 The use of public funds for the acquisition of land and property by the public sector, and in this case NLC, for its own economic and strategic activities is not deemed to be state aid, providing that such acquisition is on market terms.
- 8.3 For sites where land is to be acquired at a price in excess of market rates, justification is required to be provided to demonstrate why an acquisition in excess of market value is justified and value for money, which in this specific case relates to the ability to mitigate against having to secure a CPO, for which there will be significant time and resource implications.
- 8.4 For this particular project, justification has been provided for an additional £65,652 could be supportable, subject to further evidence and justification being provided. Essentially these are costs that would be incurred in securing a CPO and critically the delays to the project that would ensue should this be required.
- 8.5 Assuming that the balance of funding from SLGF is to be vested in the redevelopment of the wider phase I or phase II schemes, the use of public funds being vested in public and non-economic activities are also not deemed to be state

aid, providing that where economic activities are involved, these are procured at market rates.

- 8.6 In the case of this project therefore, providing that the construction of the new headquarters building and associated public infrastructure has been procured at market rates, there will be no state aid.
- 8.7 It is also noted that the redevelopment of Scunthorpe Town Centre would fall within the definition of Aid for Local Infrastructure, being regeneration activities designed to further economic growth in the town through the creation of new employment and enhanced infrastructure.
- 8.8 It is noted within the Business Case, that it was stated that state aid is not applicable to this case, when clearly in the circumstances it is highly relevant. It is therefore recommended that the Council provide a legal opinion in relation to the proposed investment by the SLGF, as a condition of any funding offered.

9.0 PROCUREMENT

- 9.1 NLC adheres to public procurement regulations and has in place standard contract procedure rules. It is intended that the main construction contract will be procured from a construction framework that has full state aid approval.
- 9.2 The process will therefore be in accordance with procurement regulations and be a transparent procurement process, likely to utilise the on-line tender portal YorTender.
- 9.3 At this time the scheme has not yet completed the design process and is not in a position to be formally tendered. The programme for the procurement process is therefore required to be provided.

10.0 OUTPUTS AND VALUE FOR MONEY

- 10.1 The forecast outputs have been provided within the full Business Case and are summarised in the table below. The only amendment to the outputs as proposed by the Council is to change the investment by Ongo to be shown as private sector investment given status of RSLs and to amend the overall level of public sector investment in this regard.

	2017/18	2018/19	2019/20	2020/21	2021/22	Future Years	Total
i) Core Outputs (Strategic Economic Plan)							
Public Investment Leveraged (£)	£17,034,050	£526,000	£200,000				£17,760,050
Private Sector Investment Leveraged (£)		£5,800,000					£5,800,000
Number of new Jobs Created (gross)		60					60
ii) Local Strategic Outputs							
Commercial floor space refurbished/constructed and occupied (sq. m)		5,831 sq. m.					5,831 sq. m.
Number of learners supported		4					4
GVA Uplift			£1,380,000	£1,380,000	£1,380,000	£3,600,000	£6.9 million
iii) Others *							
Jobs seekers		100	100	100	100	100	500

10.2 In analysing value for money for the above outputs, it is assumed that the full £800,000 is invested in the scheme. It is also recognised that, in some cases, there may be displacement and leakage which is required to be accounted for in order to undertake an assessment of the value for money of net outputs.

10.3 In relation to the above outputs, the public and private sector investment, number of learners supported and jobs seekers, will be actual and are thus unlikely to be subject to any displacement or leakage. On this basis the only output that requires to be adjusted is number of new jobs and the net figure is estimated to be 46.

10.4 Therefore the value for money assessment is detailed as follows;

- Public investment leveraged 1:22 - This is excellent value for money, although it is noted that all funding is to be from the public sector.
- Private sector leveraged is 1.2:7.25, which is also excellent value for money, in excess of the standard benchmark rate of 1:2.
- The cost per job equates to £17,391 which is considered high although new jobs created is not a key output to be delivered by the project, given that the construction of the new floorspace will enable a consolidation of various public and private sector operations.
- Commercial floorspace refurbished/constructed and occupied - The cost to SLGF equates to £137 per sq. m, which is very good value for money and below standard benchmarks.
- The number of learners supported at 4, equates to a cost of £200,000 per learner. This cost is considered to be high; however is a small number of overall

outputs generated by the project and is therefore justifiable on the basis that it is not one of the main outputs attributable to the project.

- GVA Uplift has been calculated in accordance with the standard benchmark for white collar workers at £30,000 for 46 net jobs. This equates to an investment ratio of 1:8.6
- 600 job seekers created equate to a cost to SLGF of £1,333 and as an ancillary output is deemed good value for money.

10.5 Overall therefore the value for money of the project is deemed to be very good.

11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

11.1 The following conditions have been identified as requiring to be incorporated within any funding agreement, should investment be approved;

- i. That SLGF be used to fund the costs of acquiring the KM Cross site up to market value of £282,500, plus legal fees for acquisition of 1% resulting in a total funding requirement of £285,325.
- ii. The balance of SLGF of £514,675 to be redirected to other eligible phase I costs or infrastructure within the phase II scheme; NLC to identify the works and associated phase that the balance of the SLGF could be invested in.
- iii. The overall costs for delivering the project are demonstrated upon the provision of a costed specification and supporting plans, or the provision of the report on tenders and lowest tender received. This information is required to demonstrate that the scheme is deliverable in accordance with the funding that has been secured to date.
- iv. A full programme for the acquisition, detailed design, procurement and construction of the scheme to be provided.
- v. A programme and quarterly forecast for the drawdown of SLGF to be provided.
- vi. A state aid legal opinion to be provided from NLC in relation to the activities that the SLGF is to fund.

12.0 CONCLUSIONS

12.1 Phase I of Scunthorpe Town Centre redevelopment has been identified as a strategically important project for both Scunthorpe and the wider North Lincolnshire area given the role and function of the town.

12.2 It is noted that the first elements for the transformation of Scunthorpe have already completed with the Humber University Technology College successfully opening in 2015.

12.3 Ongo, the main housing provider in North Lincolnshire have also committed to relocate to a new head office within Church Square as part of the overall

transformation on land adjoining the new headquarter building to be delivered by NLC.

- 12.4 The project will deliver a good package of outputs and is considered to be value for money.
- 12.5 The scheme is also deemed deliverable given that NLC have acquired the majority of land required for Phase I, with the exception of the KM Cross land for which SLGF has been sought to meet the cost of acquisition.
- 12.6 As planning permission is in place, the scheme should be capable of commencing within a short period of time, subject to the detailed design process concluding, KM Cross site being acquired and the works contract being competitively procured.
- 12.7 The issue that has had to be resolved relates to the proposed overpayment for the acquisition of the KM Cross land, along with additional information required in relation to scheme costs and programme for delivery. Subject to these issues being finally resolved, the scheme is considered ready for delivery.

13.0 RECOMMENDATIONS

- 13.1 It is hereby recommended that £285,325 of SLGF is awarded for this project, subject to the conditions noted within Section 11 of this report and that the remaining £514,615 be redirected to other eligible phase I costs or infrastructure within the phase II scheme subject to due diligence



.....

20th March 2018

Date:

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Paper 6 - Northern Junction Roundabout

25th May GL LEP Investment Board

1. PAPER FOR DECISION

- 1.1 This paper provides Board Directors with an update on the Northern Junction Roundabout Scheme due diligence appraisal and seeks approval to contracting stage for the project.

2. BACKGROUND

- 2.1 At the 29th September 2017 Investment Board, members approved a revised scheme approach to the Northern Junction Roundabout in Scunthorpe with North Lincolnshire Council as lead applicant, following consideration of two proposals for the £1.9m of growth deal funding concerned relating to both the northern and southern junction.
- 2.2 The external appraisal focussed on the following:
 - a) A review of the existing northern junction scheme at Scunthorpe.
 - b) Assessment of a proposed alternative scheme at the southern junction of the Lincolnshire Lakes site.
 - c) Clarification of land ownership, planning position, state aid implications and timescales for each proposal.
- 2.3 Investment Board approval was subject to a number of conditions and these were as follows:
 - NLC confirm that the scheme can be delivered in accordance with the £4 million budget previously identified.
 - GLLEP receives written confirmation that terms have been agreed with KMG so that they are, or will shortly be, legally obligated to vest the land into the scheme and will meet any cost overruns in the event that these arise.
 - GLLEP receives written confirmation from NLC that the outputs relating to the commercial land owned by KMG will be delivered by 2020/21.
 - GLLEP receives written confirmation that the Northern Junction scheme is deliverable as a non-terminating junction and is able to immediately proceed on this basis, notwithstanding that the Northern Junction may be required to operate temporarily as a terminating junction and that additional works to facilitate this are required to be agreed with Highways England. Categorically, NLC are to confirm that implementation of the Northern Junction as proposed will not be delayed whilst the additional works are

Paper 6 - Northern Junction Roundabout

25th May GL LEP Investment Board

agreed with Highways England to enable temporary operation as a terminating junction.

- A program for delivery of the Northern Junction to be provided by NLC along with key milestones and a quarterly profile of drawdown for Growth Deal Funding.
- SUFC to be informed of the decision with regard to the Growth Deal funding.

3. DUE DILIGENCE UPDATE

- 3.1 It has been confirmed that in the intervening period prior to the Southern Junction being constructed, that the Northern Junction will be able to operate as a temporary terminating junction. Highways England is, however, currently finalising how and when the delivery of the Southern Junction will take place.
- 3.2 Planning permission for the Northern Junction works was secured in 2014 and we are advised by NLC that there are no other issues to address in terms of planning requirements to enable this scheme to be brought forward for delivery.
- 3.3 Homes England has approved two loans to Lincolnshire Lakes Land Ltd (LLLL) as part of the Northern Junction scheme; however, these cannot be drawn down until the £1.9m SLGF has been confirmed as secured. These consist of:
 - i) A loan to enable acquisition of all of the land necessary to enable the Lincolnshire Lakes scheme and Northern Junction works to proceed.
 - ii) A loan to contribute towards specific infrastructure costs as identified in the due diligence report.
- 3.4 The SLGF sought from GLLEP is £1.9 million with the balance of funding to be provided by NLC at £2.1 million. The land required for the scheme will be vested by LLLL at no cost to the project. A Memorandum of Understanding (MOU) is in place between NLC and LLLL for the transfer of the land, once all funding for the project has been secured.
- 3.5 The detailed construction costs to deliver the infrastructure as proposed have been reviewed and updated by NLC and a technical assessment was undertaken of them by White Young Green as part of this due diligence. The actual physical works costs on site are all deemed to primarily be realistic and in accordance with market rates.

Paper 6 - Northern Junction Roundabout

25th May GL LEP Investment Board

- 3.6 NLC has confirmed that it will be responsible for meeting any project cost overruns and therefore the £1.9 million from GLLEP is considered to be reasonable and sufficient to enable delivery of the project.
- 3.7 The competitive tender process is due to complete by the beginning of June 2018 and the contract for the works is due to commence in July, with the scheme being completed 31st March 2019.
- 3.8 A delivery programme and quarterly profile have been provided by NLC for the scheme and will be updated as the project progresses.
- 3.9 NLC has confirmed that they will be responsible for the delivery of outputs on the commercial land owned by KMG and that 100 jobs and 3190sqm of commercial floorspace will be delivered by 2021.

4. OUTPUTS AND OUTCOMES

Core Outcomes	2018/19	2019/20	2020/21	2021/2022	Future Years	Total
Private Sector Investment Leveraged (£)	1,000,000	1,100,000				2,100,000
Number of new Jobs Created (gross)			76	302		378
Commercial floor-space constructed (sqm)			3,190	15,370		18,560
Additional Outcomes						
Roundabout Junction	1					1
Construction Jobs	23	22				45
Indirect New Homes Built					4,000	4,000
GVA Uplift			£1.53m	£7.65m	£7.65m	£16.8m

- 4.1 The due diligence appraisal demonstrates the scheme as being good value for money, even though the housing outputs have already been claimed by other public investors to the wider scheme.

5. CONDITIONS

- 5.1 Approval of £1,900,000 towards Phase 1 of the project is recommended from the Single Local Growth Fund. The following conditions are to be incorporated into the funding agreement:

Paper 6 - Northern Junction Roundabout

25th May GL LEP Investment Board

- The final costs for delivering the project to be confirmed, based upon provision of the report on tenders and lowest tender received. This information is required to demonstrate that the scheme is deliverable in accordance with the funding that has been secured to date.
- An updated programme for the delivery of the project and quarterly forecast for the drawdown of SLGF to be provided once the project is underway.
- In the event that costs are higher than the current budget, NLC to confirm that they will be responsible for meeting any cost increases and cost over runs incurred on the project.

6. RECOMMENDATION

- 6.1 That the Investment Board formally approves £1,900,000 of Single Local Growth Fund towards delivery of the Northern Junction Roundabout.



Greater Lincolnshire Local Enterprise Partnership

**Due Diligence Assessment
In Respect of**

Single Local Growth Fund

For

**Northern Junction, Lincolnshire Lakes
Scunthorpe
Lincolnshire**

**April 25th 2018
Paper 6.1**

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APPENDICES

I	BUSINESS CASE AND KEY SUPPORTING DOCUMENTATION
II	WYG COST APPRAISAL

1.0 PROJECT SUMMARY AND PLANNING STATUS

- 1.1 The application for the Northern Junction was submitted originally by Scunthorpe United Football Club (SUFC), working in partnership with NLC and was to deliver a terminating junction and major new gateway into the Lincolnshire Lakes project. The junction was to serve as one of the primary roundabouts providing access to the new villages 1, 2, 5 and 6 along with providing access to the new £35 million stadium redevelopment of SUFC.
- 1.2 The appraisal of this project was undertaken in July 2016 and included an analysis of proposed works and associated costings by WYG working in conjunction with Rachel Lister at Thomas Lister. GL LEP approved Single Local Growth Fund (SLGF) of £1.9 million to be awarded to SUFC as a contribution towards the total costs of constructing the Northern Junction at £4 million subject to contracting.
- 1.3 Since the original approval was issued by the GL LEP Board, the relationship between SUFC and the landowner for the expanded stadium site have irrecoverably broken down and the Northern Junction scheme is no longer being progressed by SUFC.
- 1.4 Approval has also been obtained from the GL LEP Board to re-allocate the SLGF of £1.9 million to North Lincolnshire Council (NLC), on the basis that the Council will deliver the Northern Junction and that key conditions identified are progressed accordingly. The Board approval was subject to a due diligence assessment being undertaken at the appropriate time to verify costs of constructing the Northern Junction and to demonstrate that the scheme is still deliverable if the £1.9 million SLGF is awarded to NLC.
- 1.5 The purpose of this due diligence assessment is to assess and verify the works costs for the Northern Junction scheme given the passage of time since the original approval was issued in July 2017.
- 1.6 The Northern Junction works will essentially provide the following;
 - i) A non-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 Lincolnshire Lakes Land Ltd (LLLL) over land forming part of their comprehensive land ownership.
 - ii) 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.
 - iii) Construction of the new roundabout.
 - iv) De-trunked M181.
 - v) Works to retained section of M181 to reduce speed limit.
- 1.7 The primary objective of the proposed works in addition to servicing the Lincolnshire Lakes wider development is noted as follows:
 - i) 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.

- ii) Divert traffic away from the Doncaster Road/Berkeley Circle junction providing sustained and much needed congestion relief.
 - iii) Provide a deliverable solution, as the junction is located on land that is in a single land owners 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.
- 1.8 We are aware from discussions with NLC and Highways England that a terminating junction is required to be provided to the site in order to accommodate the scale of development proposed. We further understand that it is intended that the Southern Junction will be delivered at some point in time and will operate as the terminating junction from the M181.
- 1.9 Notwithstanding the above, and at this time, it has been confirmed by NLC and Highways England (HE) that the Northern Junction works can be implemented and will open up a primary means of access into the Lincolnshire Lakes development including the housing land and Lake 1 which is due to commence on site imminently.
- 1.10 It has further been confirmed that in the intervening period prior to the Southern Junction being constructed, that variations to the design of the proposed East West Link Road and Burringham Road could be upgraded along with the internal estate roads in order to provide capacity on a temporary basis to enable the Northern Junction to operate as a terminating junction.
- 1.11 Planning permission for the Northern Junction works was secured in 2014 and we are advised by NLC that there are no other issues to address in terms of planning requirements to enable this scheme to be brought forward for delivery; the scheme remains unchanged, however the detail of outputs will depend on whether LLLL or SUFC develop the commercial land opposite the Lincolnshire Lakes site.
- 1.12 It is also noted that Homes England has approved two loans to LLLL as part of the Northern Junction scheme. Following discussions with Neil McMilligan at Homes England, the two loans that were awarded to LLLL are briefly summarised as follows;
- i) A loan to enable acquisition of all of the land necessary to enable the Lincolnshire Lakes scheme and Northern Junction works to proceed.
 - ii) A loan to contribute towards infrastructure costs being;
 - Section 278 works at Scotter Road
 - Construction of the East West Link Road
 - £2m towards the construction of the Northern Roundabout providing sufficient match funding can be found for its delivery, either via KMG/NLC or SUFC should decisions regarding the adjacent site alter.
- 1.13 Neil Milligan at Homes England has also confirmed that LLLL will not have the ability to drawdown any of the loan funding towards the infrastructure costs if the £1.9 million Growth Deal Funding is not allocated to this project. Homes England have advised that the formal documentation is due to be put in place to enable drawdown of funding once the SLGF from GL LEP is approved.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 The SLGF sought from GL LEP is £1.9 million with the balance of funding to be provided by NLC at £2.1 million. The land required for the scheme has been agreed will be vested by LLLL at no cost to the project. A Memorandum of Understanding (MOU) is in place between NLC and LLLL for the transfer of the land once all funding for the project has been secured.
- 2.2 The Homes England funding referred to earlier is required to fund the costs of the East West Link Road which is a separate element of work to the works that are intended to be funded by the SLGF.

3.0 KEY ISSUES

- 3.1 The key issues relating to this project are that the scheme remains deliverable for £4 million given the passage of time since the SLGF were initially approved for the scheme and that the land is secured for the works given the change in ownership.
- 3.2 The original cost estimates prepared in 2016 included contingency and optimism bias sums along with some provisional sums which have now been crystallised with the detailed design of the scheme and Homes England funding being secured. The works costs have therefore been reviewed and updated by NLC and subject to technical assessment by WYG as part of this due diligence. The outcome of this assessment is detailed within Section 6 of this report.
- 3.3 With regard to the land required for the construction of the infrastructure, this is subject to the MoU of which a copy has been provided and enables transfer provisions once all funding and remaining approvals have been secured.
- 3.4 There are no other issues identified as being necessary to resolve at this time.

4.0 STRATEGIC FIT

- 4.1 The Lincolnshire Lakes project has been identified to support the delivery of North Lincolnshire future housing and employment requirements up to 2028. North Lincolnshire's population is currently growing and will potentially grow further at a dramatic rate once the Able Marine Energy and Logistics Park at the South Humber Gateway starts to commence construction.
- 4.2 Alongside the above, Lincolnshire Lakes has a regeneration role and it was originally envisaged as part of the Scunthorpe Urban Renaissance project (funded by Yorkshire Forward). Community engagement exercises identified support for a renaissance project that delivered housing growth around waterside settings.
- 4.3 The Lincolnshire Lakes project has ten years of research and intelligence which have assessed, tested and articulated the need for this scheme. By 2026 North Lincolnshire requires over 9,000 new homes to cope with its growth and investment plans. The Lincolnshire Lakes is a key determinant in delivering against this strategic growth need.
- 4.4 A significant evidence base has been prepared for both the Adopted Core Strategy and Lincolnshire Lakes Area Action Plan. This evidence has been assessed by an

independent planning inspector and has been viewed as robust in demonstrating the need, demand and impact of the proposal.

- 4.5 For the Lincolnshire Lakes, an Examination in Public was held 13-20 October 2015 chaired by Planning Inspector Mrs Sarah Housden. This process critically analysed the need for the project. The Examination was successful and the plan was approved as sound in April 2016.
- 4.6 The project also fits with GL LEPs Strategic Economic Plan (SEP) as having the ability to meet the areas housing needs, with the Lincolnshire Lakes scheme specifically referred to within the SEP.
- 4.7 The project is therefore identified to have a strong strategic fit.

5.0 MARKET ASSESSMENT

- 5.1 The Council's Strategic Housing Market Assessment has provided evidence that there is clear need and demand for the Lincolnshire Lakes scheme in order to meet existing and future demand for housing. The scheme will also support sustainable delivery of major employment projects within North Lincolnshire and beyond through providing a local workforce.

6.0 DEVELOPMENT APPRAISAL

- 6.1 A development appraisal has not been prepared for this project on the basis that it is a public infrastructure project required to support the delivery of the Lincolnshire Lakes and improve the wider surrounding highway network.
- 6.2 The review that has been undertaken of the financial aspects of this project, therefore relates to the appraisal of construction costs to deliver the infrastructure as proposed.
- 6.3 As noted WYG have undertaken technical assessment in this regard and report that following clarifications being raised directly with NLC, they are satisfied that all necessary information was provided to enable costs for delivering the proposed works to be comprehensively completed.
- 6.4 The outcome of WYG's assessment is that the actual physical works costs on site are all deemed to primarily be reasonable, realistic and in accordance with market rates, with the exception of the following;
 - i) Provision for preliminary project preliminaries has been made at circa 15% and is considered to be low. Following discussion with WYG however it is acknowledged that the scheme is at a detailed stage of design and highways England are both supportive of the scheme and are investing significant funds in the wider strategic network and therefore NLC's budget cost at 15% is reasonable.
 - ii) The road restraint systems – It is noted that this cost may be light; however will be assessed further during the final detailed design of the scheme and tender process.

- iii) Curb and Footways – Costs of curbing may be light; however if this excludes surfacing over the islands may actually be reasonable.
 - iv) Optimism bias – No provision has been included by NLC given the stage of design and that the project is now ready to tender. WYG have recommended that at this stage this should be included.
 - v) Contingency provision – NLC have included this 5%, which given the current use of the site being agricultural and detailed stage of design is deemed to be reasonable. WYG suggested that consideration may be given to increasing this given that utility costs are currently not known.
 - vi) Overall, therefore the main areas of discrepancy are with the project preliminaries, optimism bias and contingency. It is noted that these are not actual construction costs and therefore are capable of being managed as the project design is finalised and the scheme is competitively tendered.
- 6.5 It is also noted that NLC will be responsible for meeting any project cost over runs and therefore the £1.9 million from GL LEP is considered to be reasonable and sufficient to enable delivery of the project.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 The works are currently undergoing the competitive tender process, which is due complete by the beginning of June 2018. The contract for the works is due to commence in July with the scheme completed 31st March 2019.
- 7.2 WYG have confirmed that the programme for the scheme is reasonable and realistic, although the actual programme of works and profile for drawdown of SLGF are to be provided once the contractor has been formally appointed and timescales for delivery crystallised.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 The mechanism for investment of SLGF by GLLEP to be by way of grant under Section 13, Aid for Infrastructures, Article 56 Investment Aid for Local Infrastructure.
- 8.2 The investment from GLLEP would constitute funding for the Northern Junction as described earlier within this report. It is confirmed that SLGF will not fund any works directly associated with the Lincolnshire Lakes residential or commercial uses.
- 8.3 The works to be funded by SLGF will be to deliver enhanced and new public highway and a roundabout, which will form part of adopted highway infrastructure. Use of the infrastructure will therefore be available on an open basis and free to use by the general public. Generally this falls within the definition of Local Infrastructure under the GBER.
- 8.4 Article 56 does however; make reference to circumstances where any landowners who benefit from public works through uplift in asset values, should wherever

possible be required to contribute towards the cost of works before being permitted to connect into and make use of infrastructure provided with public resource.

- 8.5 As the highway improvements are in part to existing infrastructure, there is no uplift in land value to any particular private owner. The works will also benefit a range of owners and occupiers within the general area and there is no ability to recover investment from the existing communities and wouldn't be appropriate to do so.
- 8.6 In terms of the owners of the Lincolnshire Lakes development land, the costs of undertaking and/or contributing to the works are not possible beyond the usual section 106 provisions on the grounds of viability; this is a process which has been completed by NLC in partnership with the developer.
- 8.7 LLLL have also secured loans from Homes England to provide part of the infrastructure that will more directly benefit their development land and this funding will be wholly repayable by receipts generated from the development of the site.
- 8.8 It is therefore considered that there are no state aid issues relating to the award of funding to NLC for the construction of public infrastructure.
- 8.9 It is noted however that Thomas Lister is not a state aid specialist and NLC have subsequently provided verification of the state aid position from their appointed state aid advisor. Thomas Lister have no queries in regard of the state aid report provided, although this is subject to approval by GL LEP's legal advisor.

9.0 PROCUREMENT

- 9.1 NLC adheres to public procurement regulations and has in place standard contract procedure rules. It is intended that the main construction contract will be procured from a construction framework that has full state aid approval.
- 9.2 The process will therefore be in accordance with procurement regulations and be a transparent procurement process, likely to utilise the on-line tender portal YorTender.
- 9.3 At this time the scheme has not yet completed the tender process. It is hereby recommended that a copy of the lowest tender and report on tenders is provided for final sign off by GL LEP as soon as available. This information is required to demonstrate that the project is deliverable with the funding approved.

10.0 OUTPUTS AND VALUE FOR MONEY

- 10.1 The outputs potentially deliverable by this project as provided by NLC have been subject to ongoing discussion as outputs attributable to the scheme seem very low. NLC have confirmed that, as there are other elements of infrastructure being publicly funded as part of the wider Lincolnshire Lakes development, outputs have primarily been allocated and apportioned between their other publicly funded schemes.
- 10.2 A quarterly profile for output delivery has been provided by NLC and is appended to this report. Any changes to the profile for delivery of outputs once contracted will be

picked up by Lincolnshire County Council (LCC) as Accountable Body during ongoing project monitoring.

- 10.3 The outputs which are therefore attributable to GLLEP funding are summarised in the table below;

Core Strategic Output	2018/19	2019/20	2020/21	2021/22	Later Years	Total
Jobs Created			100	394	-	494
Local Strategic Outputs	2018/19	2019/20	2020/21	2021/22	Later Years	Total
New Roundabout Junction	1					1
Commercial Floorspace Built Sq.M			3,190	15,370	-	18,560
Indirect New Homes Built					4000	4000
Construction Jobs	30	30				60
GVA Uplift			£2 million	£10 million	£10 million	£22 million

- 10.4 It is noted that jobs, construction jobs and GVA Uplift are required to be subject to adjustment in order to establish net outputs for the scheme. The following adjustments have been applied to in accordance with the table below.

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

10.5 The adjusted outputs are therefore shown in the table below;

Core Strategic Output	2018/19	2019/20	2020/21	2021/22	Later Years	Total
Jobs Created			76	302	-	378
Local Strategic Outputs	2018/19	2019/20	2020/21	2021/22	Later Years	Total
New Roundabout Junction	1					1
Commercial Floorspace Built Sq.M			3,190	15,370	-	18,560
Indirect New Homes Built					4000	4000
Construction Jobs	23	22				45
GVA Uplift			£1.53 million	£7.65 million	£7.65 million	£16.8 million

10.6 In terms of value for money, we would comment as follows;

- 378 jobs created at a cost per job of £5,026 per job, is well below the standard benchmark and excellent value for money.
- 1 new roundabout and associated infrastructure at a cost of £1.9 million to GL LEP is at market rates and thus value for money.
- 18,560 sq.m commercial floorspace at £102 sq.m. This is within the standard benchmark and is good value for money.
- 4,000 indirect homes at £475 per home is good value for money, although is an indirect output.
- Construction Jobs - Equates to a cost of £42,222 per job, is slightly higher than the standard Homes England benchmarks for cost per job of around £40,000 and is therefore reasonable value for money.
- GVA Uplift – In accordance with the uplift associated with employment development, the leverage is circa 1:8.84 and is excellent value for money.

- 10.7 Therefore, the outputs which are identified as attributable to this project by NLC, are considered to be good in terms of a total package of outputs and thus overall, generally good value for money, despite the fact that the housing outputs have already been claimed by other public investors to the wider scheme.
- 10.8 The SLGF in this project will deliver one of the primary access routes for Lincolnshire Lakes and investment in the project is also justifiable on this basis.

11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

- 11.1 The conditions to be attached to any offer of funding and to be incorporated into the Funding Agreement are recommended as follows:
- i) The overall costs for delivering the project to be confirmed based upon provision of the report on tenders and lowest tender received. This information is required to demonstrate that the scheme is deliverable in accordance with the funding that has been secured to date.
 - ii) A programme for the delivery of the project and quarterly forecast for the drawdown of SLGF to be provided.
 - iii) In the event that costs are higher than the current budget, NLC to confirm that they will be responsible for meeting any cost increases and cost over runs incurred on the project.

12.0 CONCLUSIONS

- 12.1 The Lincolnshire Lakes project is a high profile and strategically important scheme for North Lincolnshire and indeed the wider sub regional area.
- 12.2 The project is extremely challenging and various components of the scheme have already secured significant funding from the Humber LEP, Homes England, Highways England and Environment Agency in terms of addressing a number of major site constraints which will provide a site and environment suitable for major residential development of circa 4,000 dwellings.
- 12.3 The element of infrastructure that is to be funded from GL LEP has a convoluted and long standing history, given that this was originally to be delivered by SUFC, working in partnership with the council.
- 12.4 Following original delivery arrangements for the Northern Junction having to be abandoned, NLC are now the organisation responsible for delivering a section of de-trunked road from the M181 and construction of a new roundabout in order to create one of the principal gateway accesses to the Lincolnshire Lakes scheme.
- 12.5 The scheme has planning permission and all of the sources of funding required for delivering the project with the exception of that required from GL LEP's SLGF has now been secured.

- 12.6 Costs have been subject to a review and verification exercise by WYG, who are in agreement with the actual works cost for the construction of the road and roundabout; however have suggested that some of the preliminaries; contingency and optimism bias may need to be increased initially to provide for risk. It is noted however that these fee provisions do not relate to physical works and ordinarily would be reduced through the competitive tender process which is due to start imminently.
- 12.7 Therefore given the number of public sector partners involved in delivery of the scheme and the relatively advanced stage of design has been agreed with WYG there is limited benefit in increasing contingency, optimism bias and preliminary costs at this time, providing that NLC are responsible for meeting any increasing costs and cost over runs incurred in the delivery of the project.

13.0 RECOMMENDATIONS

- 13.1 It is hereby recommended that £1.9 million of SLGF is awarded for this project, subject to the conditions noted within Section 11 of this report.



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Date: ...25th April 2018.....

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Paper 7 - Greater Lincolnshire LEP Pipeline Projects

1. PAPER FOR INFORMATION AND ENDORSEMENT OF APPROACH

- 1.1 Board Directors are asked to review the current pipeline schemes across Greater Lincolnshire and to endorse an approach for identifying additional sector priority driven schemes in the short term.

2. BACKGROUND

- 2.1 In July 2016, Greater Lincolnshire LEP put forward a competitive bid for a £106.5m Growth Deal 3 programme which complemented a wider Devolution proposal to government at the time. The LEP ultimately secured £29.45m of Growth Deal 3 allocation, which meant that a number of proposed projects were unable to progress as planned due to lack of funding.
- 2.2 Local partners continue to work together on the key priorities identified for the area and this paper provides an update on those pipeline priorities identified by both Growth Deal and the Strategic Infrastructure Delivery Plan (SIDP).
- 2.3 The Annual Conversation with the Cities & Local Growth Team in December resulted in a number of follow up actions, and one of these actions specifically focused on the LEP identifying and reviewing its existing pipeline of projects.

3. THE PROJECT

- 3.1 It is extremely important that the LEP continues to have a clear and up-to-date pipeline of schemes should future growth related funding become available, either via a new Government programme or due to existing schemes becoming undeliverable or having to be withdrawn.
- 3.2 The attached spreadsheet (Paper 7.1) provides the Board with an update on all the existing pipeline projects. Some projects are no longer regarded a priority, have been delivered via alternative means, or have been explored further, but will not be progressed (i.e. transport modelling/review).
- 3.3 The spreadsheet has also begun to identify some new strategic investments that might be considered by the GLLEP should funding become available, and these have arisen through initial meetings with key stakeholders/advisory groups.
- 3.4 The pipeline action plan provided (Paper 7.2) demonstrates how and when the LEP intends to expand its pipeline priorities in the short to medium term, in particular seeking proposals from its Strategic Advisory Group meetings i.e. Employment and Skills Board, Agri-Food Board, Manufacturing Board, Visitor Economy Board, Innovation

Paper 7 - Greater Lincolnshire LEP Pipeline Projects

Council, etc. It also explains how and when it will continue to review existing priorities.

- 3.5 In the longer term, or should a bespoke program of activity be launched by Government/GL LEP, a call for projects would be taken forward, based on clear criteria and timescales for delivery. The call would be reviewed and scored as per the Assurance Framework guidelines and final recommendations would be made to the wider GLLEP Board for approval.

4. OUTPUTS AND OUTCOMES

- 4.1 Some pipeline schemes are yet to be developed to full business case stage; hence the outputs and outcomes identified would be subject to more detailed analysis and progression.

5. RECOMMENDATION

- 5.1 That the Investment Board notes the existing pipeline schemes (Paper 7.1) and endorses the suggested approach to expand/review the pipeline identified within the Action Plan (Paper 7.2).

Paper 7.1 - Pipeline Project Spreadsheet

					Business Case			
	Pipeline Scheme	Category	Total Cost	SLGF Required	Provided	Source	Project Description	Outputs/Outcomes
1	Skills Capital Investment Programme funding Gaps	Skills	21,000,000	4,210,000	Yes	GD3 Bid	A total of £7.44m has been provisionally allocated to this programme with £3m already contracted, however for the fours schemes being supported this has left a shortfall of £4.2m which the projects themselves are having to find/scale down in terms of designs and outputs. Should more funding be made available in the short term the existing proposals could be strengthened, or alternatively schemes already scored that were not successful due to limited growth deal could also be brought forward.	904 apprenticeships created; 1391 learners supported; 310 training places provided; 7098sqm new/refurbished learning space created
2	Medical School	Skills	TBC	TBC	No (but application submitted to Higher Education Funding Council England (HEFCE) and Health Education England (HEE) proved successful for initial support).	New Proposal	Collaborative project between University of Lincoln and University of Nottingham to establish a Medical School. The new school will be developed at the UOL site creating a 25% expansion of medical students in the UK. The school will make a huge difference to the Lincolnshire region, which will benefit from the establishment of this hub of medical expertise: clinical placements will take place at hospitals, GP surgeries and other healthcare units across the county in collaboration with United Lincolnshire Hospitals NHS Trust and the Lincolnshire Partnership NHS Foundation Trust. Students will study at Lincoln for a University of Nottingham BMBS medical degree, underpinned by the University of Lincoln’s outstanding infrastructure, research and employer partnerships.	Junior doctor training (400 undergraduate students); pool of high quality medical experts;
3	FEZ Programme Funding Gaps	Innovation	18,600,000	1,500,000	Yes	GD3 Bid	A total of £6.8m has already been allocated to the three FEZ schemes in Greater Lincolnshire, however this has resulted in the lead local authorities having to underwrite the additional funding gaps, some of which have increased significantly following utility negotiations with providers.	Increase to existing outputs provided
4	Agri-Grants Programme	Innovation	6,000,000	2,000,000	No	GD3 Bid	Agri-tech Growth fund for SMEs. Originally developed with two other LEPs, would need to discuss with GCGP LEP and New Anglia LEP if there is still an appetite for delivering this idea jointly.	200 jobs created, £3m private sector leverage
5	Hemswell FEZ	Innovation	N/A	N/A	Yes	SIDP	Already being funded by growth deal (£2m)	see FEZ Programme above
6	Centre for Rural Health	Innovation	TBC	TBC	No. Concept stage only	New Proposal	Longer-term proposal revenue based initially . Lincolnshire Hospital Trust working with University of Lincoln and Bishop Grosseteste University to develop innovative solutions for medical care in rural locations. Exploring how new technology currently being used in other sectors might be applied to home care; looking at how investment in tele-care via a mobile phone might help with face to face GP support.	TBC

7	Lincoln Science and Innovation Park Phase 2	Innovation	£7,000,000	£4,000,000	No	New Proposal	Expansion of existing Science Park to attract/retain innovative SMEs. Provision of dedicated workspace. Initial surveys and flood risk assessment carried out for the Phase 2 site. Proposing 9 buildings in the longer term on the Phase 2 brownfield undeveloped land covering 6 acres. To get the site ready for development including decontamination, utilities, hydrological works, hard and soft landscaping and related highway works would cost up to £4,000,000. Match funding could be provided from LSIP/Private sector via £1.2m of land value plus commercial development of two single occupancy buildings at the same time along the frontage. If more GLLEP funding was available support for the development of three 5000sqft units for grow on space costing around £2m would also be welcomed along with £100,000 towards consultation on land usage and masterplanning for future phases.	Jobs and employment space, expansion of Science Park
8	Viability Gap Funding to unlock affordable housing	Housing	9,300,000	2,500,000	Some available but need updating	GD3 Bid	Providing gap funding where infrastructure costs, flood risk and general scheme viability is delaying development of affordable housing.	225 homes
9	Integration of Housing, Health and Care	Housing	17,400,000	2,100,000	Some available but need updating	GD3 Bid	Addressing SEP priorities for the integration of housing, health and care; complementing LCC's extra care procurement programme	84 homes
10	Enabling Housing Programme	Housing	77,100,000	10,500,000	Some available but need updating	GD3 Bid	Working with Housing England to deliver schemes focused on regeneration and public realm improvements; developments which incorporate wider government ambitions such as custom build; highways/transport requirements beyond minor access works.	900 homes
11	Pinch Point Sub Programme - Remaining Projects	Infrastructure	17,500,000	12,000,000	No	GD3 Bid	Three of the four remaining pinch point schemes originally identified are no longer deemed cost effective/a priority and will not be progressed, these are :- A16: alignment between A17 and Kirton; A17: alignment between B1359 and Luton Garsgate; A17: alignment between B1390 and A1101; One scheme will take about 5 years of development but remains a priority and that is the A17: Improvement of Heckington Bypass - upgrade to dual carriageway	x homes; x jobs
12	Infrastructure & Transportation Sub-Programme	Infrastructure	38,500,000	6,600,000	No	GD3 Bid	A46/Welton Road junction - Could be subject to a public inquiry, not likely to come forward quickly as land issues not currently resolved; Skellingthorpe Road/A46 roundabout Junction is part of Lincolnshire Coastal Highway Project – proposed option to take forward, links to the Western Growth Corridor scheme and likely to be a medium term option as it requires a lot more development by COLC/LCC; A52/A1 roundabout at Barrowby - this extra junction connects with the Designer Village proposals at Grantham and is yet to be designed/progressed so not a short-term project; Gainsborough Marina - likely to take about 5 years to progress, still negotiating some of the land, gap remains around £5m; Skegness A52 connection to A158 is part of Lincolnshire Coastal Highway Project – proposed option to take forward, the LEP has already provisionally allocated £4m towards the Skegness Gateway Scheme which includes this roundabout junction.	5400 homes; 1890 jobs; Unlocking 28 hectares of employment land
13	Sleaford Growth Project Phase 2	Infrastructure	11,000,000	8,000,000	Yes	GD3 Bid	Comprehensive Town Centre Infrastructure Improvements. Includes new town centre link road, pedestrianisation scheme, town centre development sites and perimeter car parking strategy	To be reviewed as currently combined with Phase 1 in business case provided

14	Local Improvements on the A46/A15	Infrastructure	TBC	10,000,000	No	GD3 Bid	<ul style="list-style-type: none"> Improvements to the A15/A1500 roundabout, assisting Bishop Burton College/Lincolnshire Showground & RAF Scampton, including the proposals for a hotel complex and further development of a FE College campus. Improvements to the A15/A631 roundabout, facilitating the development of employment land located at Hemswell Cliff in West Lindsey where 40ha of employment land is to be considered as a part of the Central Lincolnshire Local Plan and to be delivered by means of a Local Development Order. The Central Lincolnshire Food Enterprise Zone will strategically be located to serve the key agri-food clusters in the Greater Lincolnshire area (fishery in the South Humber Bank and local produce at Holbeach), therefore the A15 will play a crucial role in facilitating these links. Improved junction at Kirton in Lindsey, which is proposed for a mixed used housing and employment site. Improvements to the A15/M180/A180/A18 access routes, assisting in the delivery of key allocated employment sites in North Lincolnshire, such as the 15.48ha A18 Mortal Ash Business Park and improving access to the Ports of Grimsby and Immingham. <p>A46 from Pennells roundabout to whisby road dualling is part of Lincolnshire Coastal Highway Project – proposed option to take forward, forms part of the Lincoln Southern Bypass bid via HE Growth & Housing fund at the moment; Western Relief road Phase 1 - not a short term priority; Lincoln Southern Bypass - HE Growth & Housing Fund bid</p>	2950 homes; 4300 jobs; 5.48ha of land unlocked - would need to be revised pper project as and when business cases are submitted (currently includes the two Lincoln Southern Bypass related schemes)
15	Grantham Southern Relief Road	Infrastructure	N/A	N/A	Yes	GD1/SIDP	Already supported by growth deal (£28m)	
16	Spalding Western Relief Road	Infrastructure	64,000,000	7,000,000	No. Only a 2016 one for Section 1 which has now been found through other sources.	SIDP	Supporting housing growth to the west of Spalding. This project is now progressing with development of planning applications for the strategic highway route. Planning Applications for Sections 1 and 5 in Spring 2019 and plans for consultation on Sections 2-4 at the same time. Developer contributions to Sections 1 and 5 agreed as well as successful bid for Section 5 for Housing Infrastructure Funding – Sections 2-4 significant shortfall of funding that needs to be forward funded for the scheme to progress (£7m). Some Growth deal could contribute to this gap.	4000 homes next 20 years; 2100 jobs
17	East Halton Flood Defences Project	Infrastructure	11,600,000	50,000 (per LEP)	No	GD3 Bid	Joint bid with Humber LEP for GD3 but was unsuccessful in both. There may still be scope to progress a similar approach with Humber LEP in the future but it would depend on their pipeline priorities also. Direct links to the Water Management Plan - focused on impact of tidal surge flooding on local businesses. Currently not high on their priority list.	3740 FTE jobs; £210m net additional GVA into the local economy
18	Port of Immingham Sea defence Improvement Works	Infrastructure	12,300,000	TBC	No	SIDP	Reducing risk of flooding at the Port. Replacing gates with outer lock gates; improving and replacing flood defence assets along the frontage to the east and west of the lock (3.6km).	5080 jobs
19	A16 Improvements	Infrastructure	5,200,000	N/A	No	SIDP	Improving route north and south of Boston, key coastal route strengthened and congestion addressed. Working with Boston Borough Council on development of Boston Distributor Road project – not progressing as quickly as anticipated. GLLEP already contributing significantly to Boston infrastructure works via growth deal.	1172 jobs
20	Isle of Axholme Flood Risk Improvements	Infrastructure	22,000,000	? (£11m gap)	No	SIDP	Providing flood protection for businesses, residential properties, agricultural land and essential infrastructure in North Lincolnshire.	1333 jobs

21	Flood Street Upgrades - Gainsborough Bridge Road	Infrastructure	10,000,000	TBC	No	SIDP	Increasing capacity of the Flood Street junction; Lea Road/Ashcroft Road junction; Thorndyke Way roundabout	Homes already counted via Gainsborough Growth project but these improvements support that project; 1392 jobs
22	Beevor Street, Lincoln	Infrastructure	15,000,000	7,500,000	Yes, but needs updating	SIDP	Creating physical link from Beevor Street to the Western Growth corridor site	3200 homes; 587 jobs
23	South East Sleaford Regeneration Route	Infrastructure	12,000,000	N/A	No	SIDP	Already included above in Sleaford Phase 2	571 homes; 200 jobs
24	Smart Grid	Infrastructure/ Innovation	TBC	TBC	No	New Proposal	The GLLEP region has the advantage of some very high available loads, battery storage projects (Siemens) and distributed generation from renewable power generation sources, but requires the roll out of EV charging infrastructure. In this project we will: Develop and deploy the digital ICT infrastructure to enable the rapid roll out of a SMART Infrastructure across the GLLEP; Develop the SMART GRID energy supply (farmers with renewable generation, waste conversion sites) and demand market (EV / Batteries and existing large energy; Ensure the SMART GRID conforms to the OFGEM and DNO regulations, model the existing and verify its onward stability; Use the Smart Infrastructure solution to roll out up to 400 EV charging locations across in the GLLEP by 2020.	In the project, we will develop and demonstrate the SMART GRID via 3 demonstrators: a) EV charging point roll out: 400 stations integrated to rural power generation; b) High capacity battery charging: a demonstration of linking high capacity battery storage into the Smart Grid; c) Enabling housing development: deploying the Smart grid to enable housing infrastructure development (e.g. better use of the load generated by the Hykeham waste battery storage into the Smart Grid. This all aligns with the Industrial Strategy, The Clean Growth Strategy and the latest review of the Energy System by Dieter Helm.

Paper 7.2 - Developing a Greater Lincolnshire LEP Coherent Pipeline 2018

Timeline	April 2018	May 2018	July 2018	August 2018	September 2018	October 2018
Action	<p>Review existing pipeline schemes:</p> <p>FEZ Programme Shortfall</p> <p>Skills Capital Investment fund shortfall to existing programme/potential new</p> <p>Unlocking Rural Housing Programme Phase 2 - explore options that complement HIF bids</p> <p>Remaining unsupported GD3 schemes</p> <p>Top 10 SIDP Projects</p>	<p>Liaise with key stakeholders and identify updated requirements for previously unsupported GD3 bid schemes - request EOLs</p> <p>Paper for information and endorsement to 25th May Investment Board updating on existing pipeline</p>	<p>Hold a workshop/meeting with key partners reviewing top 20 SIDP priorities - Request EOLs for those still not progressed but regarded a priority</p>	<p>Review evidence base outcomes in relation to LIS/SEP - consider any bespoke project commissioning requirements</p> <p>Begin discussions with Strategic Advisory Groups regarding new emerging strategic priorities</p>	<p>Make recommendations on revised project pipeline to the GLLEP Investment Board</p> <p>Manage expectations that may be raised by the process, clarifying no funding commitment at this stage</p>	<p>Provide BEIS with an updated comprehensive GLLEP pipeline</p>

1. PAPER FOR DECISION

- 1.1 This paper seeks Investment Board approval to contracting stage for the Digital Skills Centre Project at New College Stamford. The project is being considered as part of the Growth Deal supported Skills Capital Investment Fund Programme.

2. BACKGROUND

- 2.1 In July 2016 a Growth Deal 3 allocation of £29.45m was awarded to Greater Lincolnshire, of which £6.7m was initially made available towards a new Skills Capital Investment Fund at the July 2017 Investment Board. A call for projects in August 2017 and subsequent panel scoring process resulted in four schemes being identified for provisional growth deal allocations. At the 8th March 2018 Investment Board members approved a programme approach to the Skills Capital Investment fund, formally agreeing £7.34m towards the programme and enabling it to proceed to contracting stage.
- 2.2 The Digital Skills Centre was one of the four projects awarded an allocation and as the top scoring scheme being provisionally offered its full requested amount of £438,500.

3. THE PROJECT

- 3.1 The scheme involves the refurbishment and upgrade of the college's existing Information Technology Suite, situated on the 5th floor within an existing educational building. Led by New Stamford College, the key objective of the scheme is to invest in the computing and networking infrastructure facilities so that the college can deliver the latest digital qualifications, specifically targeting the healthcare sector at Level 4 and above.
- 3.2 The project will:
 - Develop the college's computing provision in response to changing need locally, regionally and nationally.
 - Enable curriculum innovation to support business needs in emerging technologies, automated production, agri-tech and renewables.
 - Increase the number of learners accessing high quality education and training in key sectors, including apprenticeships and HNC/D's.
 - Support South Kesteven District Council's plans for the creative of a Digital Skills Hub in Stamford by March 2019.
- 3.3 The following qualification options have been identified for future development (within the next 1-3 years):

- Programming in Unity, Ruby, Java, Swift, Perl, Arduino C (Robotics coding)
- Digital Media Production
- Additive Manufacture (3D Printing)
- Media Games Development
- CISCO
- CompTIA+

3.4 Ellis Williams Architects have prepared detailed designs and cost estimates for the scheme, and are now in the process of seeking tenders for undertaking the works. The scheme does not require planning permission as it will involve reconfiguration of an internal area within an existing building for educational purposes. Subject to approval and contracting the project aims to start on site in June 2018.

3.5 The total costs of delivering this project is estimated to be £912,000. Funding from the Skills Capital Investment Fund is sought at £438,500. The balance of funding will be provided by New College Stamford at £473,500, equating to 51% of total costs.

3.6 GL LEP funding can be invested through the Capital Skills Investment Fund under the GBER Article 26 through which training aid can be provided. Any economic activity proposed must be less than 20% of total activities to be undertaken within the scheme. The state aid report provided confirms that the scheme complies with Article 107, Treaty on the Functioning of the European Union (TFEU).

4. OUTPUTS AND OUTCOMES

4.1 The outputs and value for money assessment for this project can be summarised as follows:

	Total
i. Core Outputs (Strategic Economic Plan)	
Private Sector Investment Leveraged (£)	£473,500
Number of new Jobs Created (gross)	20
Number of Jobs Safeguarded (gross)	31
ii. Local Strategic Outputs	
Number of businesses assisted to improve performance	250
Number of learners supported within and for priority sectors	725
Number of brand new curriculums/training courses	171

Number of updated/modernised curriculums or courses	56
Number of learners as a result of this project securing jobs in a priority sectors	768

- 4.2 As stated within the due diligence report, the cost of providing the above outputs is considered to be excellent value for money overall.

5. CONDITIONS

- 5.1 Approval of £438,500 towards the project is recommended from the Single Local Growth Fund; however the following conditions are to be incorporated into the funding agreement:
- That the college provide confirmation of the programme for the works agreed with the contractor appointed through the procurement process.
 - That the college provide an update in respect of actual outputs delivered by the scheme once the new digital skills centre is operational.
 - That the college is required within the first year of project completion to state what the new qualification offers are.
 - Digital skills encompasses everything from using a computer, to writing coding, and a huge number of things in between, so to ensure that the new qualification offers appeal to, and are understood by employers, the marketing of the project, and the project description should be more specific than just 'digital skills'.
 - That the college maintains an ongoing dialogue with local employers, perhaps in the form of an occasional focus group or via a business network, so that it is able to adapt its qualification offer/provision to meet their needs, and that the LEP is provided with evidence that this is taking place.

6. RECOMMENDATION

- 6.1 That the Investment Board formally approves £438,500 of Single Local Growth Fund towards delivery of the Digital Skills Centre at Stamford via the Skills Capital Investment Fund Programme.



Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

**Funding from the Single Local Growth Fund
(Skills Capital Investment Fund)**

For

**The Digital Skills Centre
New Stamford College
Stamford**

17th May 2018

Paper 8.1

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1.0 PROJECT SUMMARY AND PLANNING STATUS

- 1.1 New Stamford College have submitted a detailed Business Case seeking funding from the Skills Capital Investment Fund of £438,500, to contribute towards the refurbishment and upgrade of the college's existing Information Technology Suite, situated on the 5th floor within an existing educational building. The project is being led by New Stamford College, with the key objective being to invest substantial sums in the computing and networking infrastructure facilities so that the college can deliver the latest digital qualifications, specifically targeting the healthcare sector and developing this to Level 4 and above. The scheme will therefore deliver 21st century facilities in digital skills training and education and will enable the college to:
- Develop the college's computing provision in response to changing needs locally, regionally and nationally and to deliver at least 10 additional qualifications by 2021/22.
 - Enable curriculum innovation to support business needs in emerging technologies, automated production, agri-tech and renewables, working with at least 150 new employers by 2021/22.
 - Increase by at least 200%, the number of learners accessing high quality education and training in key sectors, including apprenticeships and HNC/D's by 2021/22.
 - Support South Kesteven District Council's plans for the creative of a Digital Skills Hub in Stamford by March 2019.
 - The following qualification options have been identified for future development (within the next 1-3 years):
 - Programming in Unity, Ruby, Java, Swift, Perl, Arduino C (Robotics coding)
 - Digital Media Production
 - Additive Manufacture (3D Printing)
 - Media Games Development
 - CISCO
 - CompTIA+
- 1.2 It is anticipated this list will be added to as new options come on to the market and/or are developed bespoke by the college over the period of the planned project. This will ensure the education and training offer remains appropriate, contemporary and needs driven.
- 1.3 The college have pointed Ellis Williams Architects, who have prepared detailed designs for the scheme, cost estimates and are now in the process of seeking tenders for undertaking the works. A copy of the lowest tender will be provided for review as soon as this is available.
- 1.4 The scheme does not require planning permission given that this is principally reconfiguring an internal area within an existing building, which will remain in educational use.
- 1.5 Subject to securing funding from GLLEP the project is almost in a position to be able to proceed and is proposing a start on site in June 2018.

- 1.6 It is noted that there is a lot of 'digital skills' training already being delivered, and some provision that might be developed in 5 years. On this basis it is recommended that to ensure that GL LEP's money is directly enabling the college to offer new qualifications, the project is required within the first year of project completion to state what the new qualification offers are.
- 1.7 Digital skills encompasses everything from using a computer to writing coding and a huge number of things in between, so to ensure that the new qualification offers appeal to, and are understood by employers, the marketing of the project and the project description should be more specific than just 'digital skills'.
- 1.8 The college should maintain an ongoing dialogue with local employers, perhaps in the form of an occasional focus group or via a business network, so that it is able to adapt its qualification offer/provision to meet their needs. The LEP will require evidence that this is taking place.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.3 The total costs of delivering this project including all professional fees, staff development and marking is estimated to be £912,000. Funding from the Skills Capital Investment Fund is sought at £438,500. The balance of funding required to meet project costs will be provided by New College Stamford at £473,500, equating to 51% of total costs.
- 2.4 The college have confirmed that match funding has been approved by the full Board of Governors and that funds will be utilised from the college's cash reserves.

3.0 KEY ISSUES

- 3.1 A comprehensive Business Case and supporting information was provided and as such there have been very limited issues identified in relation to this project
- 3.2 The only issue raised related to the provision of supporting and more detailed cost information for delivering the skills centre thus enabling review and assessment by a Quantity Surveyor (QS) appointed by Thomas Lister.
- 3.3 Following discussions with the architects and college, a full pack of information has now been provided and subject to QS review.

4.0 STRATEGIC FIT

- 4.1 The subject scheme is wholly in accordance with the Skills Capital Investment Fund in terms of enabling further education colleges and universities to address the skills gap identified as a barrier to growth within various industry sectors within Lincolnshire.
- 4.2 The subject scheme supports the Skills Capital Investment Fund through expanding courses and apprenticeships in the provision of digital skills with a particular focus on the health sector.

- 4.3 In addition, this project will also support other local strategic initiatives including the establishment of a digital skills hub by South Kesteven District Council and a project to strengthen communication and technologies and links with the RAF in Lincolnshire with a specific focus on RAF Wittering. Principally this may form a key study route and will enable an Air and Defence Career College to be launched and operated in partnership with the RAF from September 2018.
- 4.4 This project is therefore deemed to have strong strategic fits in accordance with GLLEP and other strategic objectives.

5.0 MARKET ASSESSMENT

- 5.1 Improvement in digital skills has been identified nationally, regionally and locally by various studies commissioned as a key economic and business need.
- 5.2 Digital skills has been identified to underpin all of the priorities within GL LEP's Strategic Economic Plan and the endemic use of digital data has shown rapid growth within all sectors of business.
- 5.3 Over the last 2 years, the college has rapidly increased activity in the health and care sector and this increase in activity, along with other national studies, has identified that technology has become critical in running social care businesses more efficiently, based upon the use of core digital information and processing of commercial data. A central goal of the Sectors Care Act is the development of data sharing and increasingly commissioners are requiring social care providers to engage with digital only tender processing, digital monitoring of service provision and CQC Regulation. In addition, the NHS National Information Board has highlighted digital processes are central to meeting these challenges.
- 5.4 Digital skills are identified as important for non-digital sectors as they are for the digital sector itself. The college's digital skills centre will therefore meet strategic and market demand in providing a platform for the upskilling and re-skilling of employees at all levels within the health and care sector.

6.0 DEVELOPMENT APPRAISAL

- 6.1 A development appraisal of this project has not been undertaken in the traditional sense given the nature of the project being educational and being retained as a non-economic activity by the college.
- 6.2 A review of costs however has been undertaken by Fusion Building Consultancy who report that analysis of the drawing against the costed specification, incorporating rates seems to be reasonable and in accordance with market terms.
- 6.3 However, as the project is subject to a competitive tendering process, it is recommended that a copy of the lowest tender is provided when available and that the college confirm that they will underwrite any cost increases either over above the budget for the project or incurred during the construction period.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 The proposed scheme is deemed to be highly deliverable, given that the scheme has completed the detailed design and process, the building is in the ownership of the college and planning permission is not required.
- 7.2 In addition the scheme has been subject to a tender process and therefore is ready to proceed if skills investment fund is approved.
- 7.3 The programme for delivery shows a start on site in June 2018 with the project completing in August 2018 to enable readiness for the start of the academic year in September 2018.
- 7.4 It is therefore recommended that once a programme for delivery is agreed with the appointed contractor, that the programme be confirmed to GLLEP accordingly.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 It is considered that funding can be invested through the Capital Skills Investment Fund under the GBER Article 26 for which training aid can be provided. Any economic activity proposed must be less than 20% of total activities to be undertaken within the scheme.
- 8.2 New Stamford College have procured state aid advice from Eversheds Sutherland specifically in relation to the delivery of this project. The state aid report confirms that the scheme complies with Article 107, Treaty on the Functioning of the European Union (TFEU) and provided that any commercial activities remain less than 20% of the project overall, such a level of economic activity would not give rise to state aid issue.
- 8.3 On this basis Eversheds have concluded that, based upon information provided, the college will be undertaking non-economic activities and should not therefore give rise to any issues relating to state aid.

9.0 PROCUREMENT

- 9.1 New Stamford College are required to follow public sector procurement processes and have applied these in terms of procuring a contract to deliver the scheme as proposed.
- 9.2 Copies of the tender documentation have been provided to our QS who have confirmed that this is in accordance with good practice and required procurement procedures in this regard.

10.0 OUTPUTS AND VALUE FOR MONEY

10.1 The outputs and value for money assessment for this project is summarised as follows:

	Total
i. Core Outputs (Strategic Economic Plan)	
Private Sector Investment Leveraged (£)	£473,500
Number of new Jobs Created (gross)	20
Number of Jobs Safeguarded (gross)	31
ii. Local Strategic Outputs	
Number of businesses assisted to improve performance	250
Number of learners supported within and for priority sectors	725
Number of brand new curriculums/training courses	171
Number of updated/modernised curriculums or courses	56
Number of learners as a result of this project securing jobs in a priority sectors	768

10.2 The value for money assessment of the project in accordance with the Capital Skills Investment Fund umbrella programme is as follows:

- Standard industry benchmarks for private sector leverage generally seek a minimum of 1:2 in order to be considered good value for money. As however this is an educational project, private sector leverage is not from a traditional source, but alternatively being from a college. On this basis this is deemed reasonable value for money. New and safeguarded jobs equate to a cost of £8,598 per job which is very good value for money in accordance with standard industry benchmarks.
- Number of learners supported at 725 equates to £605 per learner which is excellent value for money and below the threshold identified under the main umbrella programme.
- Number of businesses assisted at £250 equates to £1,754 cost per business which is excellent value for money in accordance with standard benchmarks.
- Number of new curriculum/training courses offered at £171 equates to £2,564 per course and is very good value for money in comparison to costs of providing standard educational courses.
- 56 updated/modernised curriculums. This equates to a cost of £7,830 which is considered to be good value for money.
- Number of learners securing jobs in priority sectors at 768 equates to a cost of £571 per learner, which is considered to be excellent value for money although is not a standard output under this programme.

10.3 The cost of providing the above outputs overall, is considered to be excellent value for money.

- 10.4 It is noted that the college are anticipating further outputs being delivered; however have stated that at this stage it is impossible to be more precise; they will provide updates in terms of outputs delivered by the project as part of ongoing monitoring with GLLEP.

11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

- 11.1 Conditions within the funding agreement will need to incorporate the following:
- That the college provide confirmation of the programme for the works agreed with the contractor appointed through the procurement process.
 - That the college provide an update in respect of actual outputs delivered by the scheme once the new digital skills centre is operational.
 - That the college is required within the first year of project completion to state what the new qualification offers are.
 - Digital skills encompasses everything from using a computer, to writing coding, and a huge number of things in between, so to ensure that the new qualification offers appeal to, and are understood by employers, the marketing of the project, and the project description should be more specific than just 'digital skills'.
 - That the college maintains an ongoing dialogue with local employers, perhaps in the form of an occasional focus group or via a business network, so that it is able to adapt its qualification offer/provision to meet their needs, and that the LEP is provided with evidence that this is taking place.

12.0 CONCLUSIONS

- 12.1 The proposed Digital Skills Centre within the new Stamford College has been designed to specifically target skills gaps within the digital sector, with a primary focus health and care although with some overlap to other sectors including agri-food and communications.
- 12.2 The project is at a relatively advanced stage and ready to proceed subject to funding from the skills capital investment fund being secured.
- 12.3 The space to be refurbished to provide the centre is existing space on the 5th floor of a campus building and as a refurbishment project does not require planning permission.
- 12.4 A cost appraisal of the scheme has been undertaken by Fusion Building Consultancy and has not identified any issues or discrepancies within information provided.
- 12.5 On this basis the project proposed is considered to be ready to proceed, generates good value for money and in a position for early delivery.

13.0 RECOMMENDATIONS

- 13.1 It is hereby recommended that the Skills Capital Investment Fund of £438,500 is recommended for this project, subject to the conditions detailed in section 11 above.



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Date: 17th May 2018

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1. PAPER FOR DECISION

- 1.1 This paper provides Board Directors with a due diligence appraisal of Boston Engineering, Manufacturing and Technology Centre (EMAT), the first of four schemes under the auspices of the Skills Capital Investment Fund Programme, and seeks approval to contracting stage for the project.

2. BACKGROUND

- 2.1 In July 2016, a Growth Deal 3 allocation of £29.45m was awarded to Greater Lincolnshire, of which £6.7m was initially made available towards a new Skills Capital Investment Fund at the July 2017 Investment Board. A call for projects in August 2017 and subsequent panel scoring process resulted in four schemes being identified for provisional growth deal allocations. At the 8th March 2018 Investment Board, members approved a programme approach to the Skills Capital Investment fund, formally agreeing £7.34m towards the programme and enabling it to proceed to contracting stage.
- 2.2 The Boston EMAT Centre was one of the four projects awarded an allocation and being invited to progress a revised business case, taking into account the reduced level of funding available to that originally requested, having asked for £4.04m and been offered a maximum of £2.8m.

3. THE PROJECT

- 3.1 The applicant, Boston College, is proposing the development of the 1,376m² EMAT Centre, an industry-driven training facility that will stimulate growth and productivity across the engineering, manufacturing and agri-tech sectors. On completion, the EMAT Centre will provide training, primarily at levels 2, 3 and 4, with provision at level 5 in future years, in a range of engineering and manufacturing competencies.
- 3.2 The project is specifically designed to:
 - Stimulate and support innovation for businesses through a technology hub
 - Improve the skills and talent of the current and future workforce across levels 1-5
 - Support business growth through access to resources and advice
 - Support key strategic sectors
- 3.3 There is also the desire to run level 3 food engineering courses to benefit local companies and discussions around collaboration are currently taking place with the University of Lincoln.

- 3.4 The SLGF sought from GLLEP is £2.8 million, with the balance of funding to be provided by Boston College at £1.828 million capital investment and £311,984 in revenue contributions. The land required for the scheme is within Boston College's ownership and though planning permission is yet to be secured, pre-application discussions with the planning authority have been extremely positive, thus minimising risk.
- 3.5 Fusion Cost Consultants have reviewed the cost plan produced by Thornton Firkin in relation to the delivery of the EMAT Centre and construction costs are in line with other developments of this nature. As it is intended to let the contract on a design and build basis, the contractor will be responsible for cost over-runs. However, in the event that the project specification changes, the applicant is to confirm to GLLEP that they will meet increases in costs that may be generated as a consequence.

4. STATE AID

- 4.1 Funding can be invested through the Skills Capital Investment Fund under the GBER Article 26 for which training aid can be provided. Any economic activity proposed must be less than 20% of total activities to be undertaken within the scheme.

5. OUTPUTS AND VALUE FOR MONEY

- 5.1 The development of the EMAT Centre and the extension of the existing workshop will lead to a number of outputs in line with the Strategic Economic Plan and Local Strategic Outputs. These can be summarised as follows:
- Up to 2021/22, 14 jobs created with 6 jobs safeguarded.
 - 375 businesses assisted to improve
 - 175 apprenticeships created.
 - 875 learners supported within and for priority sectors - £3,200 per learner, which is excellent value for money.
 - 14 new curriculums/training courses
 - 8 updated/modernised curriculums of courses
 - 50 learners securing jobs in priority sectors as a result of the project
 - 1,576m² training facilities created (1,376m² EMAT Centre and 200m² extension of the existing workshop)
 - 5,100 learners with enhanced understanding of opportunities in the priority sectors

- 5.2 Overall, it is considered that the project provides good value for money across a number of outputs for the £2,800,000 of grant funding being requested.

6. CONDITIONS

- 5.1 Approval of £2,800,000 towards the project is recommended from the Single Local Growth Fund. The following conditions are to be incorporated into the funding agreement:
- Confirmation of match funding being available via applicant's bank.
 - That costs for raising the finished floor level above flood level and storm water attenuation have been accounted for.
 - Confirmation to GLLEP that any additional costs are underwritten by the applicant.
 - Procurement of a contractor for the EMAT Centre will be in line with public sector procurement guidelines.
 - That the Planning application is submitted by 1st June 2018, in line with proposed programme.
 - An updated programme for delivery and drawdown of funds is to be provided once a contractor is appointed.
 - That within the first year of project completion, a statement is provided stating exactly what the new qualification offers are, and what new activity is taking place.
 - That the College maintains an ongoing dialogue with local employers, perhaps in the form of an occasional EMAT focus group or via a business network, so that it is able to adapt its qualification offer/provision to meet their needs, and that GLLEP is provided with evidence that this is taking place.

7. RECOMMENDATION

- 6.1 That the Investment Board formally approves £2,800,000 of Single Local Growth Fund towards delivery of the Boston EMAT Centre and progression to contracting stage.



Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Single Local Growth Fund

For

**EMAT Centre, Boston College
Boston**

16th May 2018

Paper 9.1

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1.0 PROJECT SUMMARY AND PLANNING STATUS

- 1.1 The applicant, Boston College, is proposing the development of the 1,376m² EMAT (Engineering, Manufacturing and Technology) Centre which will create an industry-driven training facility that will stimulate growth and productivity across the engineering, manufacturing and agri-tech sectors. A lack of skilled workers has been identified as the biggest barrier to growth within these sectors and it is felt that the development of the centre will help to address this barrier by providing courses to train young people with the appropriate skills they need and linking them with companies within the industry that are located within the Greater Lincolnshire LEP boundary.
- 1.2 Boston College has identified that the project is specifically designed to:
- Stimulate and support innovation for businesses through a technology hub
 - Improve the skills and talent of the current and future workforce across levels 1-5
 - Support business growth through access to resources and advice
 - Support key strategic sectors
- 1.3 On completion, the EMAT Centre will provide training, primarily at levels 2, 3 and 4, with provision at level 5 in future years, in a range of engineering and manufacturing competencies including:
- Composite Technology
 - Computer aided design and manufacture
 - Pneumatics
 - Hydraulics
 - 3D scanning and printing
 - Laser Cutting
 - Rapid prototyping
 - CNC machining
 - Electronics to include programmable logic control, robotics, artificial intelligence and manufacturing
 - Telematics
 - 3 Doodler
 - Materials testing
 - Agri-food maintenance
- 1.4 The new centre will:
- provide industry standard training facilities where learners are trained on equipment relevant to local employers with opportunities for evening and weekend training to ensure that employers' needs are met.
 - offer a progressive skills pathway from level 1 to level 5.
 - deliver a range of bite size modular training packages in new skills and technologies for both existing and new employees.

- act as a hub for local engineering, manufacturing and agri-tech businesses raising the profile of these industries
 - increase the number of trainees and apprentices entering these industries
 - foster a culture of innovation amongst local businesses
- 1.5 In addition, through working with the University of Lincoln's Holbeach Food Engineering Centre there is the desire to run level 3 food engineering to benefit local companies and these discussions are currently taking place.
- 1.6 The proposed EMAT (Engineering, Manufacturing and Technology) Centre will be developed in partnership with employers to ensure that it delivers the core skills required to meet the needs of Greater Lincolnshire's key economic sectors, as identified in the Skills Strategy and the Strategic Economic Plan (SEP).
- 1.7 To ensure that the LEP's money is directly enabling the College to offer new qualifications (and new activity), it is recommended that the project is required within the first year of project completion to state exactly what the new qualification offers are, and what new activity is taking place.
- 1.8 In addition it is recommended that the College maintains an ongoing dialogue with local employers, perhaps in the form of an occasional EMAT focus group or via a business network, so that it is able to adapt its qualification offer/provision to meet their needs, and that the LEP is provided with evidence that this is taking place.
- 1.9 Boston College has undertaken initial talks with the planners via a pre-application process in relation to the EMAT Centre, however, has not submitted the scheme for planning at this stage. The initial talks were positive and Boston Borough Council has confirmed the scheme would be likely looked at favourably should an application for full planning permission come forward. The programme highlights that it is aimed for the planning application to be submitted on the 1st June, providing a successful award of the Skills Capital Investment Fund is achieved.
- 1.10 A separate planning application for the extension to the existing Construction Workshop was submitted to the Local Planning Authority (Boston Borough Council) on the 22nd March 2018. A decision on the application is pending.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 The applicant, Boston College has reported that the total project cost is £4,939,984. £2,800,000 of this cost has been requested from the Skills Capital Investment Fund to assist with the delivery of the EMAT Centre.
- 2.2 Boston College is proposing to provide £1,828,000 match funding towards the total cost of the scheme. Whilst the balance, £311,984 will be provided by Revenue produced from 2021/22. The match funding has been allocated towards the project and is available as cash within the College's accounts. A copy of the College's Balance Sheet as at 28th February 2018 has been reviewed and shows that the College does have the funds available in cash to provide this match funding, however, it would be beneficial to receive confirmation on these figures direct from the college's bank.

3.0 KEY ISSUES

- 3.1 The main issue surrounding the application and the project is State Aid. The applicant's legal advisors; Irwin Mitchell, have provided their advice in relation to how likely State Aid will occur should the project be granted the funding requested.
- 3.2 The college and Irwin Mitchell states that the college will be working with a number of private sector partners by way of providing training courses, supporting SME's and providing a technology hub for local businesses to provide support and raise the profile of the industry. As such there may be elements of the project where investment of public funds would constitute state aid. Although, if the Agreement is clear that the funding is for "public education organised within the national education system and supervised by the State" it would be considered that the activities the funding is being used for will not lead to unlawful State Aid due to it being considered as a non-economic activity under Commission Communication 2012/C8/02.
- 3.3 The college has confirmed that the primary use for the EMAT Centre will be to provide courses for young people who are unemployed and that it will not be charging for any elements of the skills training offered. On this basis it is deemed that there are no economic activities being undertaken with the private sector partners surrounding the Centre and any private sector input is predominantly ancillary to the education elements.
- 3.4 The other key issue for the site is planning; whilst the application for the extension to the current workshop has been submitted and is awaiting a decision the EMAT Centre still requires planning permission to be submitted and granted. Pre-application discussions have taken place with the Local Planning Authority, Boston Borough Council which have been positive and whilst some comments were made in terms of amending the design of the Centre these have been taken on board by the applicant and their Design Team. Changes have been made which are considered to address these concerns and Boston Borough Council has confirmed they would look favourably on an application (Letter from Stuart Thomsett, Senior Planning Officer at Boston Borough Council, dated 20th April 2018) based on the pre-application discussions they have had with the College.
- 3.5 It is understood that the college is currently working with their design team to ensure that the planning application is in a position to be submitted as soon as the determination of this funding application has been made. It is therefore considered that whilst planning is a risk to the project, the applicant is undertaking a number of mitigation measures to manage the risk appropriately.

4.0 STRATEGIC FIT

- 4.1 The scheme has a strong strategic fit with a number of priorities and strategies locally. The GL LEP Strategic Economic Plan highlights the five priority sectors for the area. The EMAT Centre will positively impact two of these sectors; manufacturing and engineering and agri-tech sectors across Lincolnshire; by providing high quality training facilities and courses, as well as, business support services.

- 4.2 The project is specifically designed to:
- Stimulate and support innovation for businesses through a technology hub
 - Improve the skills and talent of the current and future workforce across levels 1-5
 - Support business growth through access to resources and advice
 - Support key strategic sectors
- 4.3 Overall, the project will aim to equip the unemployed and young people in Lincolnshire with the skills required to work in the engineering, manufacturing and agri-tech sectors. In turn this will assist in filling the skills gap that has emerged across these sectors, as well as, assist in addressing the high unemployment levels within the County.
- 4.4 The creation of the EMAT Centre and the extension of the current workshop will directly address the priority of the Skills Capital Programme of enhancing skills facilities, maximising skills investment and thus employment.

5.0 MARKET ASSESSMENT

- 5.1 Boston College has identified that there is a gap in skilled workers within Lincolnshire; in particular within the engineering, manufacturing and agri-tech industries. This gap is considered to be one of the biggest hindrances for the growth of these sectors. The EMAT Centre will provide training facilities that provide the space and equipment required to effectively train students and equip them with the required skills necessary to work and develop a career within their chosen industry. The courses and training opportunities will be available to; businesses, the unemployed, unskilled and young people.
- 5.2 The College has and will continue to work with local businesses within the sectors to ensure that the contents of the courses and training opportunities address the skill gaps within the industries and continue to successfully provide students with the skills required to work and assist in the growth of the engineering, manufacturing and agri-tech sectors in Lincolnshire.

6.0 DEVELOPMENT APPRAISAL

- 6.1 A development appraisal of this project has not been undertaken in the traditional sense given the nature of the project being educational and being retained as a non-economic activity by the college.
- 6.2 Fusion Cost Consultants has, however, reviewed the cost plan produced by Thornton Firkin in relation to the delivery of the EMAT Centre. No information has been provided in relation to the costs for the extension of the Construction Centre or the new boundary wall so these have been excluded from the review.
- 6.3 Whilst costs for piling foundations do appear to have been included as expected, there is no mention of any Stormwater Attenuation or raising the Finished Floor Level to above Flood Level which is likely to be required in this location due to the high risks of flooding. This could increase costs to that identified.

- 6.4 The Construction Cost of £3,088,317 across the GIA of 1,376m² equates to a cost per m² of £2,244.42/m², which is in line with previous developments of this nature. However, as the building has an unusually high double volume element at ground floor it increases the envelope of the top floor of the building from 479m² to 897m², additional costs in the region of £200,000 would be envisaged to allow for structure and services in constructing the void area. This would provide a cost/m² of £2,099/m² which is considered tight but achievable.
- 6.5 Overall, it is considered that the costs highlighted are achievable, however, will be tight and therefore a contingency of 5% should be allocated to the development. Confirmation of whether costs have been included for raising the finished floor level, to above flood level and stormwater attenuation need to be established.
- 6.6 As it is intended to let the contract on a design and build basis, the contractor will be responsible for cost over-runs. However, in the event that the project specification changes such as for stormwater attenuation, the applicant is to confirm that they will meet increases in costs that may be generated as a consequence of this.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 Providing funding is awarded the scheme is considered highly deliverable. The College is committed to the delivery of the scheme and has the necessary match funding in place for the scheme and as the land owner for the land required for both; the EMAT Centre and the extension of the workshop this aspect has been addressed.
- 7.2 The main risks to the deliverability of the scheme are planning and procurement of the main contractor, however, as highlighted above the planning risks are being managed and it would be expected that as the tender is relatively high profile there will be a number of interested parties.
- 7.3 The programme for the delivery of the EMAT Centre is considered realistic, however, there is no room for any delays if the building is going to be open in time for the 2019/20 academic year, and therefore this will need to be monitored closely by the applicant to ensure the delivery timescale is met.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 It is considered that funding can be invested through the Capital Investment Fund under the GBER Article 26 for which training aid can be provided. Any economic activity proposed must be less than 20% of total activities to be undertaken within the scheme.
- 8.2 As highlighted above in Section 3 the College has sought legal advice in relation to the potential of unlawful State Aid occurring. As the college will be working with a number of private sector partners there is the potential for unlawful State Aid to occur, however, as this is considered to be an ancillary outcome of the project with the main aspect of the project being to provide education and training opportunities to young people who are unemployed then it is likely that the unlawful State Aid will occur.

- 8.3 It should also be noted that where public funding is utilised to support education, pre-employment training and certain categories of training aid, it is deemed to be State Aid compliant. As the applicant is predominantly public sector funded and will be using the funding to provide these opportunities it is considered that the funding and project would be State Aid compliant. The college has confirmed that it will not be charging for any educational and skills training provided, hence it is considered that there is no risk of non-compliance with state aid regulations.
- 8.4 As Thomas Lister are not state aid experts, it is recommended that the state aid position is verified by GL LEP's legal advisors.

9.0 PROCUREMENT

- 9.1 Boston College has stated that they always follow public sector procurement guidelines which are supported by its own financial regulations that ensure that the College achieves best value for money, acts with integrity and contractual obligations are complied with when procuring and issuing new contracts.
- 9.2 For this project they will procure a contractor in line with the GL LEP's procurement policies and work with their specialist consultancy team led by Thornton Firkin, through the tender process.
- 9.3 The applicant has allowed for a five week tender period; although the programme highlights that this is due to start in August and therefore may result in a poorer return of tenders due to Summer holidays, however, the five week period is considered a reasonable timescale for the tender process. Two weeks have been allowed to assess the tender returns and again this is considered a reasonable timescale.
- 9.4 A four week mobilisation period has been built into the programme from the Contract Award date which is considered reasonable. One area to note is that no cooling off period has been built into the programme which would be expected with a tender of this nature and this could impact the timescales as the winning bidder may not want to start mobilising until this period has ended.

10.0 OUTPUTS AND VALUE FOR MONEY

- 10.1 The development of the EMAT Centre and the extension of the existing workshop will lead to a number of outputs in line with the Strategic Economic Plan and Local Strategic Outputs. The core outputs that are delivered are in line with the Strategic Economic Plan and overarching Skills Capital Investment Fund umbrella project.
- 10.2 Core outputs are related to jobs created and safeguarded. Up to 2021/22 14 jobs with 6 jobs safeguarded are estimated for this project. Based on the £2,800,000 Skills Capital Investment Funding this provides the following value for money outputs (up to 2021/22).
- 10.3 Jobs created/Safeguarded - £140,000 per job. Although this is considered high; this can be justified as the jobs being created and safeguarded are an ancillary output rather than primary output for the project.

10.4 There are also a number of Local Strategic Outputs which also add to the value for money aspect of the project as highlighted below (up to 2021/22):

- 375 businesses assisted to improve performance - £7,466 per business and considered to be reasonable value for money.
- 175 apprenticeships will be created - £16,000 per apprenticeship, which is higher than the cost identified under the umbrella project; however as a package of outputs is considered good value for money.
- 875 learners supported within and for priority sectors - £3,200 per learner, which is excellent value for money.
- 14 new curriculums/training courses - £200,000 per course and considered good value money.
- 8 updated/modernised curriculums of courses - £350,000 per course and considered good value money.
- 50 learners securing jobs in priority sectors as a result of the project - £56,000 per learner. Although, all these outputs are considerable to generate low value for money output as these are ancillary outputs for the project they are considered reasonable.

10.5 The other outputs for the scheme include:

- 1,576m² training facilities created (1,376m² EMAT Centre and 200m² extension of the existing workshop) - £1,777/m²
- This is considered very good value for money compared to the Value for Money rate for new learning space for the whole funding programme, £3,567/m².
- 5,100 learners with enhanced understanding of opportunities in the priority sectors - £549/learner

10.4 It is evident that the project provides a good range and number of strategic outputs and overall it is considered that the project provides good value for money across a number of outputs for the £2,800,000 funding being requested, compared to the value for money outputs for the funding programme as a whole.

11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

11.1 The following conditions will need to be incorporated within the funding agreement;

- Confirmation of match funding being available via applicant's bank.
- That costs for raising the finished floor level above flood level and stormwater attenuation have been accounted for.
- Confirmation to GL LEP that any additional costs are underwritten by the applicant.
- Procurement of a contractor for the EMAT Centre will be in line public sector procurement guidelines.
- That the Planning application is submitted by 1st June 2018, in line with proposed programme.

- An updated programme for delivery and drawdown of funds is to be provided once a contractor is appointed.
- That within the first year of project completion, a statement is provided stating exactly what the new qualification offers are, and what new activity is taking place.
- That the College maintains an ongoing dialogue with local employers, perhaps in the form of an occasional EMAT focus group or via a business network, so that it is able to adapt its qualification offer/provision to meet their needs, and that GL LEP is provided with evidence that this is taking place.

12.0 CONCLUSIONS

- 12.1 The applicant, Boston College, proposes to deliver the EMAT (Engineering, Manufacturing and Technology) Centre to provide training opportunities and a business hub specifically aimed at the engineering, manufacturing and agri-tech industries within Lincolnshire. The Centre will aim to assist with addressing the skills shortage within these industries to unlock the biggest barrier to growth across these sectors.
- 12.2 The applicant has requested £2.8million of funding towards the total value of the project of £4,939,984; which is considered tight but deliverable; although, a 5% project contingency would allow for some cost increases.
- 12.3 The scheme still needs to gain planning permission and a contractor needs to be procured, however, Boston College is aiming for the scheme to be delivered in time to start providing courses for the 2019/20 Academic Year.

13.0 RECOMMENDATIONS

- 13.1 It is hereby recommended that the applicant's request for £2,800,000 of the Skills Capital Investment Fund be approved by the GL LEP Board, subject to the conditions detailed in Section 11 above.



Date: 16th May 2018

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