

GLLEP Bespoke Investment Board Agenda and Papers

Paper 0

Date and Time: Thursday, 8th March 2018 at 2.00pm

Venue: Lincolnshire Co-operative Offices, Stanley Bett House, 15-23 Tentercroft Street, Lincoln LN5 7DB/Dial in conference call option

Dial In Details:

From a landline: 0844 4737373

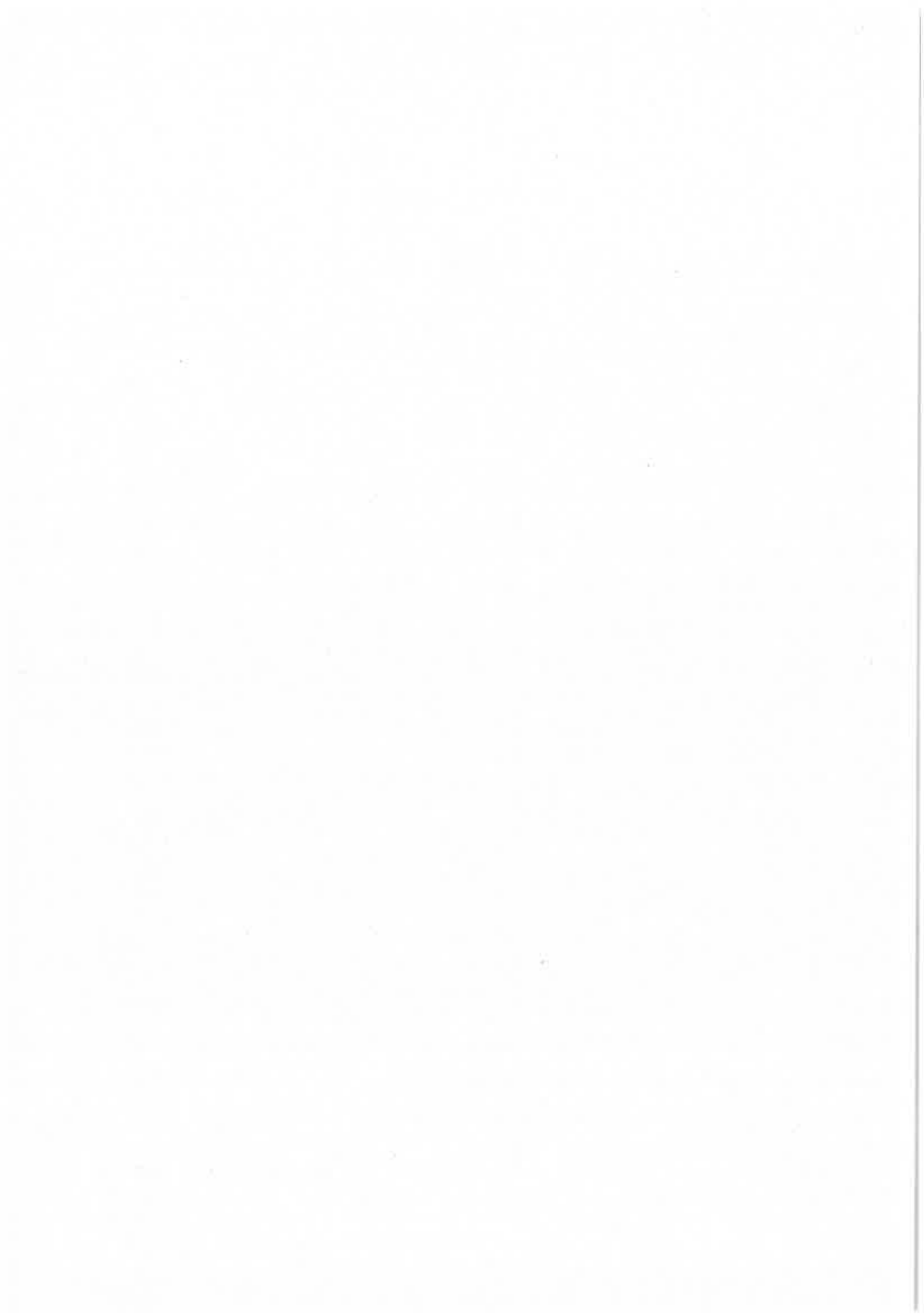
From a mobile: 87373

Pin No: 633659

Item No	Item and Brief Description	Lead	Additional Information
1	Welcome and Introductions <ul style="list-style-type: none"> Apologies for Absence Declarations of Interest 	Chair - Ursula Lidbetter	
2	Skills Capital Investment Fund <ul style="list-style-type: none"> Covering paper and due diligence appraisal report – Programme Level 	Ruth Carver	Paper 1.0 – for approval and publication
3	South Lincolnshire Food Enterprise Zone <ul style="list-style-type: none"> Covering paper and due diligence appraisal report 	Ruth Carver	Paper 2.0 for approval and publication
4	Any Other Business	All	

Confirmed Attendees: Ursula Lidbetter (Chair and Lincs Co-op), Pat Doody (Lincolnshire Commercial Banking) Cllr Colin Davie (LCC), Chris Baron (Butlins); Cllr Rob Waltham (NLC), Cllr Ray Oxby (NELC)

Officers: Ruth Carver
Accountable Body: Linsay Hill-Pritchard



Recommendation: A Paper for decision

That the Investment Board approve the Skills Capital Investment Fund, subject to the due diligence of individual schemes. paper seeks formal Investment Board approval for the Skills Capital Investment fund which would be managed and operated at Programme Level by Lincolnshire County Council. This report should be read in conjunction with the Due Dilligence report (Paper 1.1 attached)

Background Information

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, with an additional £100,000 set aside for due diligence/legal costs.

Following a call for projects and panel scoring process the LEP Investment Board subsequently agreed to allocate additional LEP Resources to increase the Skills Capital Investment Fund to increase the fund to £7.44m subject to future resources. In line with the approval to recover growth deal operational costs from capital, a figure of £100,000 was allocated as revenue to cover costs of the growth deal project manager, due diligence, legal and project management of the scheme by LCC.

Scheme	Total Scheme Cost	Requested Allocation	Provisional Allocation Awarded
Digital and Professional Skills Centre, Lincoln College	£6.5m	£3.07m	£2.3m
Engineering Manufacturing and Technology Centre (EMAT), Boston College	£5.7m	£4.04m	£2.8m
Digital Skills Centre, Stamford College	£0.9m	£0.44m	£0.44m
North Lincolnshire Higher Level Technical, Business Skills and innovation Hub	£8m	£4m	£1.8m
Totals	£21.1m	£11.55m	£7.34m

The Fund

Capital projects supported by the fund aim to result in an increase in the talent pool that employers can recruit from locally and to provide an upskilled workforce within Greater Lincolnshire's six priority sectors. We stressed that projects without an impact on these sectors would not be funded, in addition projects that would duplicate or displace existing good quality provision within an area would not be considered. Proposals needed to show how training will be relevant or tailored to employers within a particular industry and also needed to consider current and future trends.

All allocations must be spent by 2021, and outcomes delivered by 2025. The Programme was open to eligible institutions with the Greater Lincolnshire LEP's geographic area, which included post 16 colleges and approved training organisations located in the Greater Lincolnshire area.

The 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.

In order to assign the provisional allocations within the programme GLLEP took in to account the overall scores; to what extent the projects addressed the main focus of the fund; match funding levels and status; current levels of deliverability; and quality of additional responses requested from applicants.

The Programme

Of the £10.7m original ask for the Skills Capital Investment Fund only £7.44m is available, hence the expected overall outputs originally projected as part of the Growth Deal 3 programme bid to government have been apportioned down accordingly as part of this due diligence appraisal. Detailed outputs and outcomes from schemes supported by the fund will be appraised, captured and monitored at programme level as well as individually. LCC are also appointing a dedicated skills capital officer post (interviews late February) who would be expected to manage this programme as part of their role. The programme will therefore aim to deliver as a minimum the following:

- 904 new apprenticeships
- 1,391 new learners
- 487 new training places
- 6,953 sq. m. of refurbished learning space
- 2,086 sq. m. of new learning space

The above outputs are deemed to be good value for money and the assessment of individual projects coming forward will need to be in accordance with the above general benchmarks, unless justification can be provided otherwise; however value for money for individual schemes will also need to be considered in the context of the overall programme.

Conditions

Conditions to be incorporated within the Funding Agreement with LCC are as follows:

- That prior to the award of funding for individual projects, each scheme completes a due diligence assessment in accordance with programme requirements and due process.
- That State Aid advice is provided for individual projects.
- That the Programme Officer for the Skills Capital Investment Fund undertakes all collaboration, monitoring and review of performance throughout the programme to ensure that the programme is delivered in accordance with objectives, is invested to achieve value for money and is delivered on a timely basis.

Recommendation

That the Investment Board gives formal approval for the Skills Capital Investment fund Programme to proceed to contracting stage with LCC and that the conditions are noted.

Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Single Local Growth Fund

For

The Skills Capital Investment Fund

Paper 1.1

21st February 2018

CONTENTS

	Page No.
1.0 PROJECT SUMMARY AND PLANNING STATUS	2
2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING	3
3.0 KEY ISSUES	3
4.0 STRATEGIC FIT	4
5.0 MARKET ASSESSMENT	4
6.0 DEVELOPMENT APPRAISAL	5
7.0 DELIVERABILITY AND PROGRAMME	5
8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE	5
9.0 PROCUREMENT	6
10.0 OUTPUTS AND VALUE FOR MONEY	6
11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT	6
12.0 CONCLUSIONS	7
13.0 RECOMMENDATIONS	7

APPENDICES

I	BUSINESS CASE AND KEY SUPPORTING DOCUMENTATION
---	--

1.0 PROJECT SUMMARY AND PLANNING STATUS

- 1.1 The Skills Capital Investment Fund is a programme initiative that has been established by GL LEP working in partnership with Lincolnshire Local Authorities, universities and further education (FE Colleges). The Fund is designed to address the skills gap identified by businesses that causes barriers to growth within industry within Lincolnshire. This Due Diligence Assessment has therefore been prepared in relation to the overarching Skills Capital Investment Fund as a programme and the umbrella project against which to assess individual projects that will come forward and seek funding under the programme once approved.
- 1.2 The Skills Capital Investment Fund has three strands which will enable investment in the following areas;
- i. Investment in equipment and technology in various locations so that training on offer in various educational establishments can better meet the needs of employers.
 - ii. Improving conditions where skills' training is delivered, including enhancing delivery and efficiency through the application of digital technologies and steps to improve technological infrastructure and service resilience.
 - iii. Investment in FE College Estate that encourages learning and training in growth sectors. Where there is a high volume of job generation and or private sector investment, the ability to deliver improvements to the Further Education Estate currently categorised in RICS Category C will also be sought.
- 1.3 The objectives of the Skills Capital Investment Fund flowing from the strands as identified in the growth deal 3 bid to government in July 2017 are;
- 1,300 new apprenticeships
 - 2,000 new learners
 - 700 new training places
 - 10,000 sq. m. of refurbished learning space
 - 3,000 sq. m. of new learning space
- 1.4 The original bid to Government for the Skills Capital Investment Fund was £10.7 million; however the amount available under growth deal 3 is £7.44 million. The outputs flowing from the Skills Capital Investment Fund have therefore been adjusted to reflect the reduced funding award. The revised outputs are;
- 904 new apprenticeships
 - 1,391 new learners
 - 487 new training places
 - 6,953 sq. m.
 - 2,086 sq. m.
- 1.5 Stakeholders to the Capital Fund will include the Greater Lincolnshire Combined Authority along with GL LEP's Employment and Skills Board providing a business voice.

- 1.6 It is intended that once the fund is established, GL LEP will make an open call for projects in accordance with the required outcomes that the fund is to deliver.
- 1.7 It has been made clear that programme funds will not be used as an alternative to the educational restructuring facility. It is also confirmed that a number of potential projects have already been identified that will meet the objectives of the Fund and fill identified gaps in skills within various locations in Lincoln, Scunthorpe and Gainsborough.
- 1.8 Projects are intended to seek to address skills gaps in areas covering engineering, manufacturing, logistics, health and digital skills.
- 1.9 Therefore in going forward, all projects with provisional allocations seeking funding under the Skills Capital Investment Fund will be subject to a separate due diligence exercise to ensure that they remain eligible in accordance with the objectives of the Fund, deliverable, State Aid compliant and value for money.
- 1.10 The Skills Capital Investment Fund does not therefore require planning permission per se, as this will be assessed through the submission of individual projects as they come forward.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 The Single Local Growth Fund (SLGF) sought for this programme is £7.44 million, (which includes £100,000 towards admin, due diligence and legal costs) with the total programme costs identified from provisionally awarded projects totalling £21m.
- 2.2 Match Funding secured for each of the projects coming forward will vary from project to project;
- 2.3 The extent of Match Funding and drawdown of SLGF will be assessed and monitored across individual projects and at programme level.

3.0 KEY ISSUES

- 3.1 In setting up the Skills Capital Investment Fund, there are few issues and risks, with the principal area of risk being take-up of the Fund by individual projects that are anticipated to come forward.
- 3.2 As referred earlier, GL LEP working with partners, have undertaken significant feasibility and review to date, which has underpinned the need for the Fund and in collaboration with a number of FE Colleges and Universities have established a sound basis upon which to operate the Fund and to best target those areas of need.
- 3.3 In addition, there are a number of projects that have already been awarded provisional allocations, based on panel assessment as per the GL LEP Assurance Framework and subsequent Investment Board endorsement on the 24th November 2017. All such projects are in accordance with the objectives of the Fund.
- 3.4 Clearly due diligence will be required to ensure that these projects are deliverable and this matter will be assessed as part of further due diligence undertaken at the appropriate time.

4.0 STRATEGIC FIT

- 4.1 The Skills Capital Investment Fund has a strong strategic fit across a number of strategies and these are briefly summarised as follows;

- i. GL LEP Strategic Economic Plan (SEP) particularly in terms of the ability to upskill residents and increase productivity within business sectors.

The SEP has set priorities to deliver four large scale 'Game Changers' for the Greater Lincolnshire Area, one of these being the Skills Capital Programme that enhances skills facilities and maximise skills investment and thus employability.

The Skills Capital Investment Fund therefore flows from the Game Changer within the SEP.

- ii. Local Authority Economic Strategies

Projects coming forward to seek funding under the Fund will be in accordance with the economic strategies of the various local authorities in terms of upskilling local residents, increasing productivity and employability in order to drive sustainable growth. The strategic fit with various local authority strategies and that of other key partners and stakeholders would therefore be assessed as part of future due diligence assessments on all projects seeking funding.

5.0 MARKET ASSESSMENT

- 5.1 GL LEP working with local authority partners, businesses, further education institutions and other stakeholders has undertaken significant research, studies and feasibility in order to underpin the preparation of the SEP and programmes and strategic objectives, which are established within the strategy.
- 5.2 The Skills Capital Investment Fund is therefore seeking to upskill residents to enable sectoral growth and diversification and to respond to those concerns raised by businesses that the lack of skills within the employment market is a significant barrier to sustainability and growth, particularly in terms of competing and expanding markets both nationally and globally.
- 5.3 The assessment of market conditions will therefore be required to be considered as part of due diligence assessments for individual projects coming forward, to ensure that the project as proposed will deliver outputs which have been identified to be required in a specific locality to meet identified skills gaps and the needs of businesses operating within that locality.
- 5.4 The assessment of individual projects will also ensure that those outputs potentially deliverable are in accordance with those objectives set out within the overarching programme.

6.0 DEVELOPMENT APPRAISAL

- 6.1 A development appraisal of the programme has not been undertaken as this due diligence is to set out the basis for the operation of the Skills Capital Investment Fund as an overall programme.
- 6.2 Individual projects seeking funding will however be subject to a development appraisal to ensure that all costs are eligible and in accordance with market rates and that if funding is awarded, that projects are viable and thus deliverable in the immediate term.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 The delivery of the Skills Capital Investment Fund programme will depend on timescales for applications being received from individual projects and their ability to deliver in accordance with individual programmes.
- 7.2 Once the approval is in place for the Skills Capital Investment Fund as a programme, it is intended that an appointed Programme Officer will work with all applicants, partners and stakeholders in ensuring that business cases are submitted in accordance with the objectives of the Fund and deliverable within reasonable, sensible and realistic timescales.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 It is considered that 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.
- 8.2 Furthermore, the majority of applicants will be further education establishments, likely to have been formed under a 1992 Act of Parliament, meaning that many have charitable status and principal powers are for the provision of further, higher and secondary education. Where public funding is utilised to support education, pre-employment training and certain categories of training aid, public funding in such circumstances is deemed to be State Aid compliant.
- 8.3 As noted where facilities are providing an element of economic activity, such as for example a Café, providing this activity is less than 20% of total activities to be undertaken, then funding for any economic activities below this threshold is also compliant with State Aid Regulations.
- 8.4 The assessment of individual projects will therefore be required to be undertaken in context with State Aid and the above provisions.
- 8.5 Furthermore, all applicants seeking funding will be required to demonstrate compliance with State Aid Regulations prior to funding being offered.

9.0 PROCUREMENT

- 9.1 The award of Skills Capital Investment Funds to individual projects will be required to demonstrate that all such funding will be ultimately drawn down by applicants in accordance with public sector procurement guidelines, and supported by internal financial regulations and monitoring processes.
- 9.2 This issue will therefore be required to be assessed across individual projects as they come forward for funding.

10.0 OUTPUTS AND VALUE FOR MONEY

- 10.1 The outputs and value for money assessment identified to be delivered by this programme in accordance with the SEP are shown below;
- 904 new apprenticeships at £8,230 per apprenticeship
 - 1,391 new learners at £5,349 per learner
 - 487 new training places at £15,277 per place
 - 6,953 sq. m. of refurbished learning space at £1,070
 - 2,086 sq. m. of new learning space at £3,567 per sq. m.
- 10.2 It is also anticipated there may well be other outputs flowing from investment of the Fund, including jobs created and safeguarded and increase in productivity helping to generate uplift in GVA.
- 10.3 The above outputs are therefore deemed to be good value for money and the assessment of individual projects coming forward will need to be in accordance with the above general benchmarks, unless justification can be provided otherwise; however value for money for individual schemes will also need to be considered in the context of the overall programme.

11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

- 11.1 Conditions within the Funding Agreement will need to incorporate the following;
- That prior to the award of funding for individual projects, each scheme completes a due diligence assessment in accordance with programme requirements and due process.
 - That State Aid advice is provided for individual projects.
 - That the Programme Officer for the Skills Capital Investment Fund undertakes all collaboration, monitoring and review of performance throughout the programme to ensure that the programme is delivered in accordance with objectives, is invested to achieve value for money and is delivered on a timely basis.

12.0 CONCLUSIONS

- 12.1 The Skills Capital Investment Fund has culminated following recommendations made following an area of review undertaken by the Greater Lincolnshire Combined Authority and GL LEP's Employment and Skills Board. The review was also undertaken in accordance with other stakeholders in order to underpin the principal objectives and operation of the Fund.
- 12.2 The purpose of the Fund is designed to address the skills gap through investing in equipment and technology, improving conditions for skills training and investing in FE College Estate that would not otherwise be funded by other funding available to the education sector.
- 12.3 The Fund, through collaborative arrangements with colleges, universities and businesses has the ability to address skills gaps across the GL LEP's growth sectors, thus removing barriers to business sustainability and growth.

13.0 RECOMMENDATIONS

- 13.1 It is hereby recommended that the Skills Capital Investment Fund Programme at £7.44 million be approved, subject to the conditions detailed in Section 11 above.



.....

21st February 2018

Date:

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

Recommendation: A Paper for decision

Board Directors are asked to consider the due diligence appraisal for Phase 1 of the South Lincolnshire Food Enterprise Zone (FEZ) at Holbeach and to approve progression to contracting stage.

Background Information

The progression of utilities on the South Lincolnshire FEZ will play a key part in enabling the development of a National Cluster for Food and Agricultural Technology companies and creation of a National Food Automation Centre within the site through the support of the Midlands Engine.

Responding to the industry-led 'Made Smarter' Review launched by Government in November 2017 this site will help drive forward robotics and automation of the food chain, exploring how UK manufacturing can maximise benefits from increasing adoption of digital technology. In addition, as we continue building an evidence base for a local industrial strategy the emergence and success of our Food Enterprise Zones will undoubtedly support our ambitions for securing a food sector deal.

The Project

With enabling road improvements at the junction of the A17 and A151, including a new roundabout on the A151 providing access to the FEZ site to the west of the A151 as well as residential development land to the east of the A151 already in place, investment in to the FEZ site itself can now begin.

The South Lincolnshire FEZ project aims to create necessary service roads and utility infrastructure for what will be phase 1 of the Peppermint Park Food Enterprise Zone (FEZ) on land already owned by Lincolnshire County Council (LCC). Once site access arrangements and enabling infrastructure is in place, the development plots will be offered to the market for sale to end users and developers, facilitating the delivery of Phase II of the FEZ. The site service roads to be built will be accessible from the A151 and constructed to a standard suitable for adoption by LCC once completed. The project will also provide all main connections to necessary site services and utilities; including Gas, Electricity, Water and Foul Water.

The Local Development Order (LDO) is now out for consultation via South Holland District Council and is scheduled for adoption in Spring 2018 once it has been approved by the Secretary of State via the Ministry of Housing, Communities and Local Government. Once adopted, this will create a simplified planning regime for the delivery of the FEZ and will, in effect, grant outline planning permission and certain freedoms in advance by pre-approving wider planning requirements.

The council has had to explore options to meet the shortfall in required match funding to progress Phase 1 of the scheme with the support of Aecom and Gleeds appointed via the Perfect Circle. All the necessary provision with the various utility providers is being negotiated on behalf of LCC; and Colliers International are working on a viability appraisal model for the wider site. An initial decision was made by the LCC Resources Board on the 26th January regarding the underwriting of the remaining utility costs required, providing utility costs for the residential site are explored in tandem. Final approval for securing the LCC match funding should be confirmed by the Executive Director

on 2 March 2018.

LCC has begun the marketing of the adjacent residential development land to the east of the A151 which has outline planning consent for up to 650 houses. Savills have been appointed as marketing agents and have prepared a disposal strategy for the land.

Discussions have progressed over the summer with the owner of the land to the south of the A17 relating to Phase 2 of the FEZ. Although at the moment, no agreement on the purchase price has been agreed, these discussions are expected to continue as this land is considered to form an important element of the wider FEZ development.

Project Costs

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 2018 to ensure continued value for money and deliverability.

Outputs and Outcomes

	2017/18	2018/19	2019/20	2020/21	Future Years	Total
i) Core Outputs (Strategic Economic Plan)						
Public Investment Leveraged (£)	£340,200	£1,762,400	£1,762,400		£1,000,000	£4,865,000
Private Sector Investment Leveraged (£)	0	50 (construction)	30 (cons) 150 (occupiers)	30 (cons) 150 (occ)	1,000 (occ)	110 (con) 1,300 (occ)
Number of new Jobs Created (gross)	0	15	15	20	33	83
Number of Jobs Safeguarded (gross)		20	20	30	264	334
Number of new housing units completed	0	0	0	0	0	0
ii) Local Strategic Outputs						
Commercial floor space refurbished/constructed and occupied (sq. m)	0	0	1,100 sq m	1,100 sq m	13,800 sq m	16,000 sq m
Number of businesses assisted to improve performance	0	5	5	5	10	25
Number of learners supported		100	100	100	100	400
Number of new businesses created	0	0	6	6	10	22
GVA Uplift	0	0	0	0	0	£794,000 (11.34 acres at £70,000/acre)
iii) Others *						
New build training/learning floor space	0	23,800	0	0	0	23,800

The due diligence appraisal demonstrates the scheme as being excellent value for money and of high strategic importance to the local and national economy. It is noted however that the above outputs may need to be reviewed in the event that costs increase and thus LCC's investment also increases in order to ensure delivery of the project.

Conditions

Approval of £2.985m towards Phase 1 of the project is recommended from the Single Local Growth Fund subject to the following conditions being met:

- Cost of the works to be confirmed to GL LEP once crystallised with the utility providers.
- In the event that costs have increased, confirmation to be provided by LCC that approval has been secured for LCC to meet the balance of scheme costs as required.

- Once a contractor has been appointed to undertake the works, a programme for delivery as agreed within the contract to be provided.
- A copy of the Report on Tenders and contract sum to be provided to GL LEP.
- A copy of the State Aid Advice Report to be provided to GL LEP as soon as available.
- Confirmation of timescale for the delivery of the University Centre of Excellence on the site to be confirmed.
- LCC to provide information to GL LEP as required for future monitoring and performance including completion of the works as proposed, marketing and disposal of the serviced land and outputs as they are delivered.
- A quarterly profile of expenditure to be provided to GL LEP prior to draw down of any grant funding.

Recommendation

That the Investment Board formally approves £2.985m of Single Local Growth Fund towards utility costs on the South Lincolnshire FEZ site at Holbeach and progression to contracting stage.

Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Single Local Growth Fund

For

**South Lincolnshire Food Enterprise Zone
Holbeach
Lincolnshire**

21st February 2018

Paper 2.1

CONTENTS

	Page No.
1.0 PROJECT SUMMARY AND PLANNING STATUS	2
2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING	4
3.0 KEY ISSUES	4
4.0 STRATEGIC FIT	5
5.0 MARKET ASSESSMENT	6
6.0 DEVELOPMENT APPRAISAL	7
7.0 DELIVERABILITY AND PROGRAMME	8
8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE	8
9.0 PROCUREMENT	9
10.0 OUTPUTS AND VALUE FOR MONEY	9
11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT	11
12.0 CONCLUSIONS	11
13.0 RECOMMENDATIONS	12

APPENDICES

I	BUSINESS CASE AND KEY SUPPORTING DOCUMENTATION
---	--

1.0 PROJECT SUMMARY AND PLANNING STATUS

The Project

- 1.1 The Food Enterprise Zone (FEZ) also known as Peppermint Park, is proposed to be delivered by Lincolnshire County Council (LCC), working in partnership with South Holland District Council (SHDC) across two phases of development.
- 1.2 The detailed Business Case submitted to the Greater Lincolnshire Local Enterprise Partnership (GL LEP) is for funding to provide utility infrastructure in order to enable employment development to be undertaken on the Phase 1 land.
- 1.3 The Phase 1 land extends across 4.57 hectares (11.3 acres) and is in the ownership of LCC. Once the Phase 1 land is serviced, which includes the utility infrastructure required, along with provision of a site access and on-site infrastructure, the development plots will be offered to the market for disposal to developers and occupiers associated with the food sector.
- 1.4 The remaining 6.8 hectares (16.8 acres) of the FEZ, being Phase 2, is currently in private ownership and negotiations are on-going between LCC and SHDC to purchase the site.
- 1.5 Funding from GL LEP of £3 million is being sought in order to contribute towards the costs of providing the spine road, associated on-site infrastructure and off-site utility provision initially estimated to be in the region of £7,615,000. GL LEP admin, appraisal and legal costs of £15,000 also need to be covered from the £3m grant allocation.
- 1.6 Once the infrastructure and utilities have been provided to the Phase 1 land, this element of the FEZ will provide 11 discreet development plots, with the ability to accommodate circa 12,500 sq. m. (131,500 sq. ft.) of employment space along with additional capacity to provide a further 3,870 sq. m. (41,600 sq. ft.) for ancillary uses such as a hotel.
- 1.7 It is also intended that the first phase of development will enable the University of Lincoln to construct a brand new campus facility on a 1.2 hectare (3 acre) site that is being acquired from LCC. The campus will deliver a Centre of Excellence in the Agri-Food sector, comprising 1,360 sq. m. (14,640 sq. ft.) of accommodation, providing laboratory space, test kitchen, conference facilities and learning resource centre. This scheme has already obtained Outline Planning Consent and ERDF is being sought to contribute towards the capital costs of delivering the centre. Once funding has been secured, detailed design can be completed with the centre programmed to start on site within the next 12 months.
- 1.8 The University will act as an anchor tenant for the scheme and is likely to be catalytic in attracting occupiers to the site, who wish to collaborate with and benefit from expertise offered by the Centre of Excellence. Specifically the centre will specialise in the areas of translational research, including automation, robotics, food safety and traceability, and food waste.

Planning

- 1.9 The development of such as cluster on the FEZ is a strategic objective for Lincolnshire in order to support the retention and expansion of the food industry in Greater Lincolnshire.
- 1.10 In terms of planning, SHDC have prepared a Local Development Order (LDO) and are seeking to have sign-off from the Secretary of State to the LDO by the end of May/early June. The LDO will provide a simplified planning regime to fast track the planning process for developers/occupiers in securing permission for the redevelopment of plots on the site.
- 1.11 Planning permission is already in place for the infrastructure works.

Proposed Works

- 1.12 The road infrastructure required to provide a means of access to the FEZ, incorporating two new roundabouts commenced in May 2017 and has now been completed. The construction of this infrastructure was supported with £2.1 million of Growth Deal Round Two funding. The work specifically now required to enable development of the Phase 1 land is summarised as follows;
- Spine Road – providing the principal route through the Phase 1 land along with the associated infrastructure.
 - Off-site Water – Anglian Water have provided a budget estimate for water supply to Phase 1 along with costs in relation to the need for a foul connection from the site to the nearby Holbeach Water Recycling facility.
 - Off-site Electricity – Western Power have provided a quotation to connect into a supply off-site; however it may well be that a new electricity substation is required, which will significantly increase costs beyond those currently estimated; however are yet to be determined pending detailed design of the works.
 - Off-site Gas – it is assumed that there is capacity off site which the site can connect in to without any requirements for reinforcements within the network.
- 1.13 It is noted that quotations have been obtained from the various utility providers based upon the current stage of design undertaken for the site.
- 1.14 As the scheme is yet to complete the detailed design stage, it is noted that utility costs may well change and total infrastructure costs for the first phase could be in excess of £10 million.
- 1.15 LCC have confirmed they will be underwriting any increased costs on providing the infrastructure to the Phase 1 land from their New Development Capital Contingency Fund subject to Environment and Economy Scrutiny Committee on the 27th February and subsequent sign off on the 2nd March by the Executive Councillor, with the funding sought from GL LEP fixed at £3 million.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 As noted, Growth Deal Funding Round Three is being sought from GL LEP at £3 million.
- 2.2 Match funding has initially been approved by LCC from the Capital Programme at £3,424,800. In addition, the value of the Phase 1 land in LCC ownership has been valued at agricultural land values at £74,130 per hectare (£30,000 per acre), which means that the value of the land being vested into the scheme by LCC has a value of circa £340,200.
- 2.3 The total contribution from LCC is currently £3,765,000, although pending any increase in the infrastructure and utility costs, LCC will meet from their Capital Programme any shortfall in funding in the event that costs do increase.

3.0 KEY ISSUES

- 3.1 The due diligence for this project has concentrated on the Phase 1 scheme and key issues in relation to the scheme proposals are identified as follows;

i) Project Costs

As referred earlier, there is uncertainty in relation to the current position on scheme costs, which could rise from £7,615,000 to somewhere in the region of £10 million depending on the position relating to electricity supply and need for a new substation.

In order to establish this position, Aecom and Gleeds have been appointed to undertake all dialogue with the various utility providers on behalf of LCC and to see whether there is any ability to mitigate cost increases and share these with the adjoining residential development without impacting on viability.

This element of work is anticipated to be completed by the end of February, at which time a final decision will be taken by LCC's Executive Committee, including approval to underwrite any of the increases in utility costs as required.

Ultimately however, given the strategic importance of this scheme, it is anticipated that a solution to the cost increases will be established and any remaining costs over and above the current budget are likely to be met by LCC.

It is recommended that confirmation of the outcome of this issue be provided to GL LEP prior to any drawdown of the funding being permitted.

ii) Demand and Take-up for the Serviced Land

The need for the FEZ has been established through various studies including assessment of market conditions, employment profile of the Lincolnshire area, along with future employment projections. Whilst indications are that the FEZ will meet demand and demand for businesses within the food sector and in this location, there is no guarantee that this will result in take-up of the land for development.

The construction of the Agri-Food Centre as a first phase of development on the Phase 1 land will assist in creating an anchor tenant and confidence in the site for food related enterprises, and potentially be catalytic in securing other occupiers to the site.

It is noted that there may be issues of occupiers being in a position to both acquire land and build-out a facility, particularly if they are SME's and or micro-companies. Start-up /companies may therefore benefit from being able to occupy space in the fledgling Centre of Excellence in the first instance until becoming established.

Developers may be encouraged to come and build-out space on the site either on a design and build basis or for sale or retention as an investment to let to businesses. Development of the site will have been de-risked to an extent by LCC through provision of all of the necessary infrastructure to enable immediate development of open ready plots.

In addition the LDO and simplified planning regime may also be an incentive to potential developers of the site.

The marketing and disposal strategy for the site will therefore need to be monitored and it is recommended that progress reports are provided to GL LEP as a part of overall monitoring and for assessment of outputs delivered.

iii) Delivery of the Agri-Food Centre Facility

The delivery of the University Centre of Excellence is at a relatively advanced stage, with Outline Planning Permission being in place and the University having agreed terms with LCC for the acquisition of land for the development. Detailed planning is programmed to be submitted by early March 2018 and a decision on the ERDF applications is anticipated to be positive. There is therefore limited risk identified in terms of this scheme not proceeding, which as an anchor tenant is deemed critical for the early establishment and success of the FEZ.

- 3.2 Therefore the overall key issues with this scheme are relatively low, with the main issue to be addressed being that of actual costs of providing the required utilities.

4.0 STRATEGIC FIT

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

- i) *The Greater Lincolnshire Local Enterprise Partnership Agri-Food Sector Plan 2014-2020*

Recognises the benefits that are created through having the UK's largest and most progressive food sectors and associated supply chain.

The plan concluded that there is a need for investment in existing clusters, with a focus on delivering higher productivity through greater investment in innovation, research and skills development.

This project clearly supports this objective.

ii) *The Strategic Economic Plan 2014-2030*

This project supports Objective 1 which is to drive the growth of the areas defining and strongest sectors which offer the most competitive advantage. The Agri-Food Sector is identified as one of these sectors.

The project also supports Objective 3, which is to drive growth by pursuing expansion in to new markets, undertaking infrastructure improvements to facilitate development and enhance skills of individuals and business owners.

Objective 5 is supported in terms of creating balanced housing and economic growth, through promoting the areas capacity to deliver high quality growth.

iii) *The Southeast Lincolnshire Local Plan May 2017*

The Local Plan identifies Holbeach as a main service centre, which will provide significant housing, employment and commercial development to support its role to provide services and amenities for the surrounding area.

Policy 8 of the Local Plan states that the Authority will support proposals that assist in the delivery of economic prosperity and job growth.

The subject site is identified as a main and prestige employment site and is to be a driver for the Districts economy, helping to diversify the economic base and track high skilled and high value employment. The project therefore supports the policies within the Local Plan.

iv) *Department for Environment, Food and Rural Affairs (DEFRA)*

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

4.2 The delivery of the Holbeach FEZ will support these ambitions

5.0 MARKET ASSESSMENT

5.1 As noted there have been a number of studies completed in order to support the establishment of Food Enterprise Zones throughout the GL LEP area, including the subject site at Holbeach.

5.2 The outcome of the studies has been that;

- Key drivers for growth and diversification in innovation in the Agri-Food sector come from retailers and consumers, who are demanding more in terms of food variety, ethical standards and nutrition.
- Whilst technology has advanced within the Agri-Food sector, this is not always available to those associated with Agri-Food due to lack of provision of equipment, training, education and business support.

- Small, innovative tech companies would ideally need to be located at a FEZ, given the need to be able to access facilities which would be made available by the University Centre of Excellence.
- It has been highlighted that there are a range of issues and gaps affecting the sector locally, including lack of commercial knowledge in order for a product or innovation to be brought to the market, lack of funding for scientific and technical research and the need for a technology focused knowledge hub.
- Start-up businesses in the Agri-Food sector need specialist support along with business management services in general, such support would be provided within the Centre of Excellence.
- Businesses are now demanding a more skilled workforce, which is unlikely to be freely available unless there is significant additional training provided. Again, skills and training could be offered through the University Centre of Excellence.
- The Agri-Food Sector Plan 2014 – 2020 and the Humber and Greater Lincolnshire Area Business Premises Study 2015, concluded there was strong demand for business accommodation in South Holland and an acute shortage of supply, particularly for micro-businesses that make up 91.6% of the business base.

5.3 On this basis therefore the analysis of market conditions has demonstrated a strong need and demand for the establishment of the FEZ and University Centre of Excellence within South Holland.

6.0 DEVELOPMENT APPRAISAL

- 6.1 A Development Appraisal has not been prepared for this site, on the basis that funding is being sought to contribute towards the costs of infrastructure and utilities provision on land in the ownership of LCC.
- 6.2 A copy of the detailed cost estimate prepared by Gleeds dated 20th June 2017, has been provided assuming capacity required for developing out each of the eleven plots for the type and extent of floorspace that could be accommodated on Phase 1 in totality.
- 6.3 Whilst the information provided by Gleeds is considered to be comprehensive, the general availability of utilities within the wider network cannot be fully identified until detailed discussions have been undertaken with the statutory providers.
- 6.4 As referred earlier, this process has been on-going however recently it was established that as a new electricity substation may be required, costs may increase significantly.
- 6.5 As also referred earlier, this matter is intended to be fully resolved by the end of February 2018, at which point actual costs can be crystallised and any necessity for LCC to underwrite additional costs be determined.

- 6.6 Whilst LCC may be able to recover some of the costs invested in to some of the Phase 1 land, this will be spread over time as plots are disposed of and will thus be insufficient to meet costs incurred on an upfront basis to fully service the land.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 The infrastructure and utilities works are intended to complete the detailed design process by April 2018, with full technical approval secured by July 2018.
- 7.2 Once the detailed design process has completed in 2018, the works will be subject to a tender exercise to appoint a contractor around July 2018.
- 7.3 On this basis, works would commence on site in August 2018 and be completed by May 2019.
- 7.4 At this time, the above programme is deemed to be realistic and achievable in view of the feasibility completed thus far. In terms of the extent of utilities and likely anticipated cost, this should be crystallised shortly to enable LCC approval to be secured by the end of February 2018 and the programme for delivery maintained as referred above.
- 7.5 It is recommended however that if there are any variations to the above programme, that GL LEP are notified accordingly. Also at the time when the main contractor has been appointed and a construction programme has been agreed, that a copy of this be provided to GL LEP for future monitoring purposes.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 LCC have confirmed within the Business Case that they are of the opinion that the investment of funding into infrastructure to open up development land which will be sold on the open market, given that this is not user specific, does not amount to State Aid.
- 8.2 In undertaking this due diligence, we are also of the view that the works may fall under the GBER Article 56, whereby funding at 100% of costs can be invested for the construction of infrastructure or to upgrade infrastructure in order to open up access of an employment site. As this will then be offered for sale to the market on an open and free basis at market values, there should be no State Aid.
- 8.3 In addition, the public sector is permitted to undertake works to revitalise its own land if in accordance with strategic objectives, such as furthering economic growth within an area and can invest public funding in this respect. Such funding is invested on the basis that the serviced land is offered to the market at market value as previously referred.
- 8.4 Whilst Thomas Lister are not State Aid experts, this project and proposed funding is typical of projects deemed to be State Aid Compliant under the GBER. It is noted however that LCC are to provide a formal State Aid report from legal advisers to verify this position.

- 8.5 It is therefore recommended that the report from LCC is received and approved by the GL LEP team prior to any funding being drawn-down.

9.0 PROCUREMENT

- 9.1 LCC and SHDC, both use Procurement Lincolnshire to provide support, expertise and guidance in all aspects of public procurement. The procedures provided by Procurement Lincolnshire are wholly compliant with GL LEP and EU Procurement rules.
- 9.2 LCC's activities are also governed by the Councils Contract Regulations, which provides governing principals to be followed when procuring goods and services. In addition, the Financial Regulations and Scheme of Authorisation, collectively create a comprehensive framework governing the Councils financial activities.
- 9.3 As the proposed scheme is to be procured in accordance with Procurement Lincolnshire procedures, there are no issues relating to the proposed procurement for the works.

10.0 OUTPUTS AND VALUE FOR MONEY

- 10.1 The outputs estimated to be delivered by the investment into the Phase 1 scheme are detailed in the table below;

	2017/18	2018/19	2019/20	2020/21	Future Years	Total
I) Core Outputs (Strategic Economic Plan)						
Public Investment Leveraged (£)	£340,200	£1,762,400	£1,762,400		£1,000,000	£4,865,000
Private Sector Investment Leveraged (£)	0	50 (construction)	30 (cons) 150 (occupiers)	30 (cons) 150 (occ)	1,000 (occ)	110 (con) 1,300 (occ)
Number of new Jobs Created (gross)	0	15	15	20	33	83
Number of Jobs Safeguarded (gross)		20	20	30	264	334
Number of new housing units completed	0	0	0	0	0	0
II) Local Strategic Outputs						
Commercial floor space refurbished/constructed and occupied (sq. m)	0	0	1,100 sq m	1,100 sq m	13,800 sq m	16,000 sq m
Number of businesses assisted to improve performance	0	5	5	5	10	25
Number of learners supported		100	100	100	100	400
Number of new businesses created	0	0	6	6	10	22
GVA Uplift	0	0	0	0	0	£794,000 (11.34 acres at £70,000/acre)
III) Others *						
New build training/learning floor space	0	23,800	0	0	0	23,800

- 10.2 In terms of any displacement generated from the investment into this site by GL LEP, leading to a reduction in economic activity elsewhere in Greater Lincolnshire, LCC have stated that any displacement is unlikely. This is on the basis that the FEZ in Holbeach is part of a much wider local and national strategy, which is a new

employment site and facility specifically set up to safeguard and build resilience in the Agri-Food sector. This means that existing businesses will be safeguarded as well as new businesses secured. On this basis no adjustment has been made to the outputs provided to take account of any displacement activity.

10.3 The value for money of the respective outputs is therefore as follows;

- Public Sector Investment - public sector investment leverage is currently anticipated at £4,865,000, although may increase depending on actual utility costs. The investment ratio is 1:1.6. As this is public to public funding, there is no established benchmark in this regard; however public investment from a range of programmes lessens the dependency for investment into the project from a single public sector party.
- Private Sector Investment - private sector investment leverage in to Phase 1 and Phase 2 of this scheme is potentially in excess of £130,000,000 and equates to an investment ratio of 1:43, which is excellent value for money.
- Number of New Jobs Created - new jobs created at 83 equates to a cost per job of £36,144. Whilst this may be considered to be on the high side, it still falls within benchmark thresholds for highly skilled jobs.
- Jobs Safeguarded - jobs safeguarded at 334 equates to a cost per job of £8,982 which is very good value for money and below standard benchmarks.
- Commercial Floorspace - constructed at 16,000 sq. m. equates to a cost per sq. m. of £188, which is excellent value for money.
- 25 Businesses Assisted - equates to a cost per business of £120,000. This is a high cost per business; however it needs to be considered as a package of outputs as opposed to standalone.
- 400 Leaners Supported - equates to a cost per leaner of £7,500 which is good value for money.
- 22 New Businesses Created – equates to a cost of £136,364; which although considered high also needs to be considered as part of a package of outputs.
- GVA Uplift – is initially assessed at £794,000; however the Economic Development Plan produced for the Holbeach FEZ estimates that during the Agri-Food sector plan period up to 2020, additional GVA generated through this project is likely to be in the region of £37 million. This represents excellent value for money and has been adopted as part of this due diligence.
- Other New Build Training/Learning Floorspace – created at 23,800 sq. m. and equates to a cost of £126 per sq. m, which is excellent value for money.

10.4 Overall therefore, the package of outputs delivered by the scheme is considered to provide excellent value for money. It is noted however that the above outputs may

need to be reviewed in the event that costs increase and thus LCC's investment also increases in order to ensure delivery of the project.

11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

11.1 The Due Diligence Assessment has identified that there are a number of aspects of the project whereby updated information will need to be provided and incorporated into the Agreement. This information is required to ensure that delivery is in accordance with this due diligence report and that any variations are thus approved by GL LEP. The conditions to be incorporated are as follows;

- i) Cost of the works to be confirmed to GL LEP once crystallised with the utility providers.
- ii) In the event that costs have increased, confirmation to be provided by LCC that approval has been secured for LCC to meet the balance of scheme costs as required.
- iii) Once a contractor has been appointed to undertake the works, a programme for delivery as agreed within the contract to be provided.
- iv) A copy of the Report on Tenders and contract sum to be provided to GL LEP.
- v) A copy of the State Aid Advice Report to be provided to GL LEP as soon as available.
- vi) Confirmation of timescale for the delivery of the University Centre of Excellence on the site to be confirmed.
- vii) LCC to provide information to GL LEP as required for future monitoring and performance including completion of the works as proposed, marketing and disposal of the serviced land and outputs as they are delivered.
- viii) A quarterly profile of expenditure to be provided to GL LEP prior to draw down of any grant funding.

12.0 CONCLUSIONS

- 12.1 The Holbeach FEZ has been identified as critical to the establishment, diversification and growth to the food sector and wider economy within South Holland and South Lincolnshire.
- 12.2 The food sector is an important local employer with strong growth prospects within South Holland and a key driver within a number of local and national strategic objectives to ensure that the UK is at the forefront of food technology and development.
- 12.3 The FEZ supports a number of local and regional strategies and bringing forward Phase 1 of this site will enable the establishment of the University Centre of

Excellence. The benefits that the centre will bring are potentially catalytic, in securing other occupiers and developer interest to the park.

- 12.4 Subject to the final issues being resolved in relation to costs of utility provision, the scheme is ready to proceed subject to completing the detailed design process and procuring a contractor and could therefore be on site in August of this year.

13.0 RECOMMENDATIONS

- 13.1 It is hereby recommended that £3 million of GL LEP Growth Deal Round 3 Funding be approved for this project, subject to the conditions and terms for the Funding Agreement as identified within Section 11 of this report being fulfilled.



21st February 2018

Date:

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

