

# Electronic Approval Paper 19 December 2018

## Greater Lincolnshire Growth Fund - Wise Software Limited

### 1. PAPER FOR DECISION

- 1.1 Board Directors are asked to consider the due diligence appraisal for the Wise Software Limited Project under the auspices of the Greater Lincolnshire Growth Fund and to approve progression to contracting stage.
- 1.2 The project was approved at the October 30<sup>th</sup> LEP Investment Board however there have been some changes to the project that require your further consideration which I will detail below.

To provide some overview, the original project was to purchase a new building (Rickmar), refurb an existing building (Carratech) and build a new link between the two to set up a robotics production space and a demo centre. The grant of £241,631.23 was approved. On the day of the LEP Investment board, a new building came up for sale on the same estate (Torque building) which would add weight to the project and reduce the overall costs as OrderWise would no longer need to build the new link between the two original buildings. The OrderWise project remains 100% the same with the same goal of developing a robotics laboratory and warehouse but the 'nuts and bolts' of the project budget have changed due to the new building coming up for sale last minute. The budget difference will mean the project costs less overall to deliver and therefore requires less grant support, £218,806.43.

Purchasing the new Torque building will allow OrderWise to complete their project faster, better and more cost effectively than if they stuck with the original plans as the building exists already and they wont need to need to build the link between the two original buildings. The robotics demo centre will be situated in the Torque building.

All other elements of the project remain the same, with the same outputs, financial and jobs plus additional benefits, as detailed in the amended report that follows.

### 2. BACKGROUND

- 2.1 Wise Software (UK) Limited began as The Solutions Group in 1991 and was founded by current Managing Director, David Hallam. The company have a 36,000 sq ft head office on the Saxilby Enterprise Park. Today, Wise Software (UK) Limited employ 186 staff. OrderWise is the brand and the product name, which is who Wise Software are commonly known as. The company are a well-established manufacturer of an ERP software system that is used by

over 1000 companies and 15,000 users in the UK. Over the last 4 years the company have experienced tremendous growth from a turnover of £5,000,000 in 2015/16 to a turnover of £10,000,000 in 2017/18.

- 2.2 The current ERP system is an end-to-end system allowing end users to place orders for items on a website which is then passed to the ERP software for processing and despatch. As with most ERP software systems the despatch process is completed by manual pickers in the warehouse using either paper pick notes or computerised hand-held terminals (HHTs).
- 2.3 OrderWise's clients come from a wide variety of business sectors including pharmaceutical, merchants, government establishments, e-Commerce enterprises, wholesale, safety and construction. The product is used in a B2B and B2C environment.
- 2.4 OrderWise competes on a global stage with giants like SAP, NetSuite and Microsoft Dynamics together with UK based independents like OGL, Epicor and Intact.

### 3. THE PROJECT

- 3.1 A major problem that many clients of OrderWise face is linked to Brexit and the use of migrant workers within their warehouses servicing orders. There is an impending workforce shortage with some clients not having enough staff to service their warehouse orders. Additional to this, other issues to consider are increased minimum wages, employer contributions, training costs to name but a few. Finding, recruiting and retaining warehouse staff is becoming a major problem. This has led OrderWise to identify a major opportunity to grow their own business by investing and developing a warehouse automation offering which will help their clients become more efficient and grow too.
- 3.2 Part of OrderWise's current product range is the supply of handheld terminals (HHTs) along with the supporting software. These terminals have enabled their clients to increase their warehouse picks from 70 units per hour to 140. Even though HHTs have increased picking rates, around 70% of a pickers time - and therefore salary - is spent walking between bins in the warehouse to pick projects. By OrderWise introducing further automation in to the process in the form of intelligent robots, this will increase.
- 3.3 OrderWise wish to add an additional 'goods to picker warehouse automation system' to their established HHT product.
- 3.4 OrderWise are looking to purchase 2 new buildings (Rickmar building - and Torque building) close to their current premises and refurbish the

currently owned premises (Caratech building) next door. This is to set up a robotics production space.

The new Rickmar building will be fitted out accordingly.

- 3.5 The company have undertaken development to prove the concept already by building a very small robotics laboratory within their existing premises. Having undertaken significant research, OrderWise purchased robots and have been putting these through rigorous tests. The lab testing has proven the robots do not meet the company's needs. This has led the company to move their development plan.

#### 4. PROJECT COSTS AND PROGRAMME SUITABILITY

- 4.1 The company is seeking £218,806.43 grant

OrderWise are based in Saxilby, within the GLLEP boundaries and the project sits well within the manufacturing and digital LEP priorities.

#### 5. OUTPUTS , OUTCOMES AND ADDITIONAL BENEFITS

- 5.1 The project aims to:-

Develop a picker warehouse automation system, a new arm to the business. The project will build a robotics production unit and a full scale warehouse facility for the testing and demonstration of the robotics package.

The project will create 19 jobs by the end of March 2025 and safeguard 5 jobs which have recently been created to set up the robotics laboratory and testing facility.

OrderWise	
	<b>31 March 18</b> Current year
Turnover	£9,478,135
Gross Profit	£8,585,610
Net Profit	£2,213,445

#### Additional benefits:

- Increase in highly skilled technical jobs available in Lincoln, as well as upskilling current employees. The development of these new bespoke opportunities will encourage the younger generation to stay in the local area. The long-term impact of this is significant in that it will work towards reducing the risk of 'brain drain' from Lincolnshire, helping the city to develop and sustain a thriving economy.

- Provide a possible link to University of Lincoln's Robotic Laboratory for further recruitment of staff in the future and offer of student placements, projects, and work experience.
- All the sub-contractors that Wise Software will use in the development project are local based companies so the robotics programme is helping to support further local businesses and jobs.
- This is headline news for Lincoln. This is something new that puts Lincoln and its workforce on the map. This is a major development for robotics in Lincolnshire, a county which is generally best known for its agriculture rather than innovation.
- The expansion of the company will allow them to sustain their current market position and allow them to deliver against their innovation plans and develop a robotics centre on the outskirts of Lincoln. As a major employer in Lincoln, this growth will keep people in the area by offering secure jobs.

## **6. CONDITIONS IDENTIFIED WITHIN DUE DILIGENCE APPRAISAL**

- 6.1 Wise Software Limited has requested a grant contribution of £218,806.43, 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. Details of state aid compliance have been confirmed by independent solicitors DWF Law who state that the level of grant proposed falls within the remit of GBER Article 29 (process innovation) and that the quantum and percentage of grant proposed are both fully compliant with the limitations of this exemption.
- 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 with works to be tendered and a copy of the lowest tender to be appended to the funding agreement.
  - GLGF to be invested only into capital costs of converting and refurbishing the existing buildings and constructing the new building, if market value of the building to be acquired is lower than the price being paid.
  - 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 building to be acquired and scheme once completed as a basis against which to assess future clawback obligations should these be triggered.
  - Monitoring of outputs to be undertaken.

## **7. RECOMMENDATION**

- 7.1 That the Investment Board formally approves £218,806.43 of Greater Lincolnshire Growth Fund towards the Wise Software Limited Project and progression of the scheme to procurement and contracting stage.