

Business Case for Funding Single Local Growth Fund

Project Name	Holbeach Peppermint Interchange Development Area
Applicant name	Lincolnshire County Council

Project Details					
Project Sound Bite	A strategic highway junction improvement to unlock growth potential of development land to the north west of Holbeach.				
Project Location	Holbeach, Lincolnshire				
Project Start Date	Financial Completion Date		Practical Completion Date		
April 2016 (but could be earlier if funding available before this time)	April 2018		March 2020		
Project Funding Summary					
	SLGF (a)	Public Match Funding (b) – please state	Private Match Funding (c) Please state	Totals (d)	Contribution Rates (a)/(d) x 100
Capital	£2,415,000	£517,500	£517,500	£3,450,000	70%
Revenue	0	0	0	0	0
Totals	£2,415,000	£517,500	£517,500	£3,450,000	70%

Project Proposer	
Contact Person	Simon Wright
Organisation	Lincolnshire County Council
Position in organisation	Places Manager
Email:	simon.wright@lincolnshire.gov.uk
Telephone Number	07827 820467

Delivery Partners:				
Will you work with other organisations to deliver this project?	YES	*	NO	
If YES, please state				
Private sector developers, landowners (tbc) and South Holland District Council				

Strategic Fit
Project Description
<ul style="list-style-type: none"> • Please provide a full project description including:- • Briefly explain what the project will do, why SLGF is required and what you will spend the funding on. • What assets are being purchased through the project? • Where and when will the project be delivered? • How will it be delivered and operate? • If the project relates to capital investment activity can you: (a) describe the timescale for securing planning permission; (b) confirm the RIBA stage achieved at the point of submitting this outline application; (c) confirm when you intend to go out to tender; and (d) confirm anticipated start on site. • Describe in detail the deliverables (e.g. Tendering, recruitment, marketing, project delivery, work completion phases, events etc.) of the project and set timeframes against each deliverable.
<p>This is a programme of investment that will enable large scale economic growth for the rural area of Holbeach. The developments detailed below will open up business growth opportunities in the vicinity and improve infrastructure that is heavily relied upon by the agri-food sector and its associated supply chain of businesses located in South Holland.</p> <p>Holbeach is a small town located in the south east of Lincolnshire and provides a wide range of facilities, employment opportunities, housing and other services to help meet the needs of the surrounding rural area. It is positioned close to the A17 which provides a strategically important arterial route for the agri-food sectors in the region. The road runs in an east to west axis connecting Newark and the A1 (west) with Kings Lynn and Norwich (east).</p> <p>The A17 comprises of a single carriageway at the junction of the A151 to the north west of Holbeach and acts as an important transport interchange for an economically employment sector for the Greater Lincolnshire area</p>

Economic success is vital in this key area along the A17. We must deliver its potential and it will only be achieved with a quality investment environment which relies upon providing strategic infrastructure that will allow sites and premises to be marketed that are capable of immediate development.

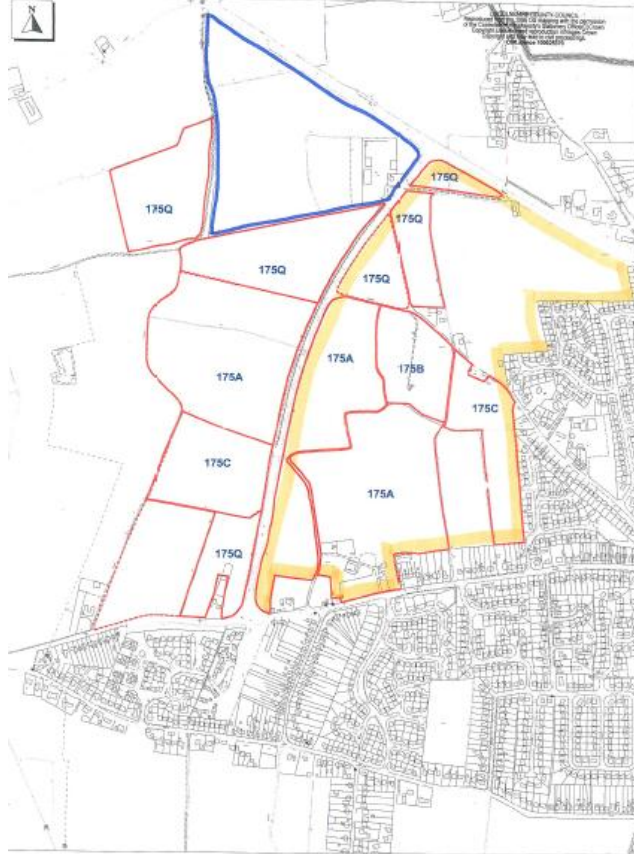
According to BRES data, Holbeach Town has seen 3 consecutive years of employment growth (with a 9% increase 2012-13), which has been significantly higher than national and county levels of growth each of the three years. Employment growth also proportionally higher than the population growth in the area over the same period. This indicates that there is an appetite for growth in the area.

There is capacity for significant housing and employment growth around Holbeach and land has been identified to the north west of the town (adjacent to the A17/A151 junction) as suitable for the provision of high quality employment space and residential units. It is unlikely that this land will come forward for development in the foreseeable future without significant public sector investment in order to resolve infrastructure issues which are currently a barrier to development.

In particular, a four arm roundabout is needed at the junction of the A17 and A151 in order to provide access to development land located to the east and west of the A151 and to improve capacity. Once access is provided to the subject land it will enable the development of circa 10 hectares (25 acres) of employment land suitable for high quality commercial space as well as approximately 40 hectares (100 acres) of land for residential units to come forward promptly.

Land parcels adjacent to the junction are mainly in agricultural use at the present time. However, it is proposed that land located to the east of the A151 could accommodate residential development comprising circa 900 dwellings. A consortium of landowners are working closely together in order to bring forward a planning application for residential development and planning consultants have been jointly appointed by the landowners to support the planning application process. A number of pre-submission surveys have already been completed.

The plan below shows, edged yellow, the land identified for residential development.



Following extensive discussions with landowners, the agreed timeline for the delivery of the residential development showing key milestones is as follows:

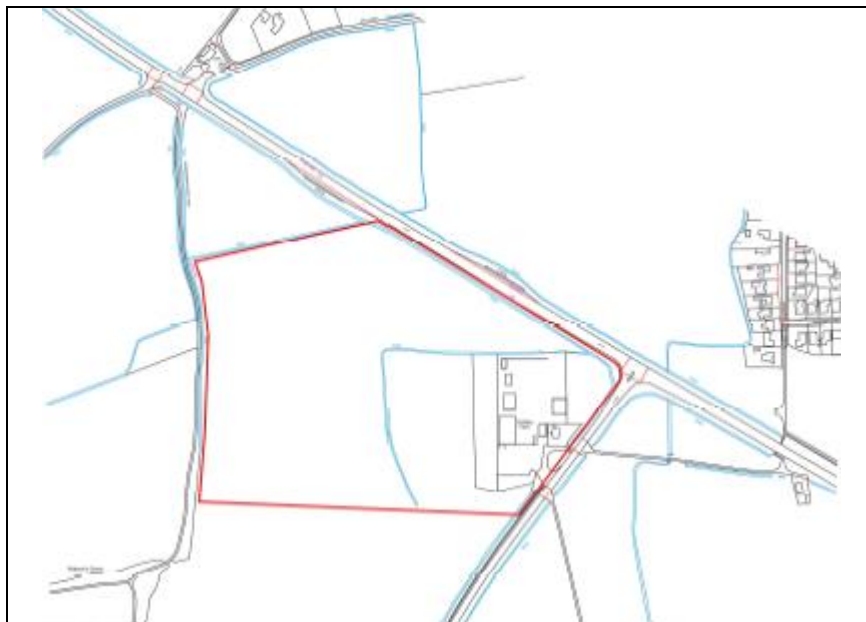
- Land Owner agreement November 2014
- Submit request for Env. Impact Screening Option November 2014
- Establish Design Parameters December 2014
- Complete Surveys and define planning application February 2015
- Public consultation on draft scheme March 2015
- Outline Application submitted April 2015
- Decision November 2015 – February 2016
- Construction/ground works begin 2016

Land immediately to the west of the A151 has also been identified as suitable for development and a private sector developer/landowner is seeking to bring forward commercial development on the site. The developer is currently designing a scheme for the creation of a Business Park which extends to circa 10 hectares (25 acres), of land which could provide high quality B1 employment space of some 24,000 sq. m. (258,000 sq. ft.) Net Internal Area (NIA).

It is proposed that this site would be suitable to provide "start-up" business units for new enterprises together with additional larger units for growing businesses to relocate, thus creating a clear pathway for new and growing businesses to establish themselves around Holbeach.

The subject site is located approximately one mile to the west of the University of Lincoln National Centre for Food Manufacturing and will benefit by creating links with the occupiers of this site. The scheme will open up a series of employment sites for larger businesses to locate to and the proximity to the food manufacturing area will not only provide important employment opportunities but the adjacent academic institutions will offer a birth to employment age solution for food manufacturing sector.

The area of land identified for commercial development is shown edged red on the plan below.



Lincolnshire County Council would be the body responsible for the delivery of improvements to the A17/A151 and in order to progress this matter, the County Council has appointed Mouchel to provide preliminary advice on the potential options for a new layout at the A151/A17 junction. This study, entitled the "A17/A151 Junction Holbeach, Potential Improvement Assessment Report" identified three design options which enable access to be provided to adjacent residential and commercial development land as well as provide capacity improvements to the A17/A151 junction.

The preliminary design work undertaken so far by Lincolnshire County Council will be used to inform a more detailed highways design with consideration to layout, construction impact and footways etc.

The outline project milestones for the delivery of the highway improvements are as follows:

Further options assessment and feasibility – up to February to March 2015

Planning Application preparation and submission – April to July 2015

Planning Decision – October 2015

Final Design and Procurement - November 2015 – April 2016

Construction Commencement – May 2016

At the moment, the A17/A151 junction is a priority controlled "T" junction with the A151 forming the minor (non-priority) arm to the junction. This arrangement leads to delays to traffic turning right from the A151 (towards Kings Lynn and Norwich) with the result that traffic is redistributed through Holbeach town centre to access the A17 via alternative junctions. This creates congestion in the town centre and impacts negatively upon the town environment, making it a less attractive destination for visitors and shoppers and in turn making it less attractive to retailers and investors. In addition congestion around junction causes queues on the A17.

As well as providing access to the commercial and residential development sites described above, the creation of a four arm roundabout will also reduce the delay for the right turn movement of vehicles from the A151. This will remove the need for motorists to seek alternative routes and thereby reduce congestion in Holbeach town centre and alleviating the traffic queues on the A17.

Traffic modelling undertaken up to 2036 forecasts traffic growth of 37.66% between 2012 and 2035 on the rural principal road network in Holbeach.

Land and property values in South Lincolnshire are relatively low compared with the rest of the UK and this can inhibit development, especially when exceptional or abnormal development costs are incurred. The cost of providing utility infrastructure and the highway improvements required to access the development land will have an adverse impact on the viability of developing the land making the scheme unattractive to developers for the foreseeable future. Public sector investment is required to "pump prime" the scheme by allowing Lincolnshire County Council to construct the four arm roundabout required to provide vehicular access to the development land adjacent to the A17/A151.

The project will open up potential for substantial new industrial land to support the area. The creation of good quality development land that is supported by infrastructure will provide the opportunity for substantial growth in the area's key industrial sectors and the supply chain businesses that will support the key investments in these sectors. The infrastructure improvements will not only provide benefits to new and emerging companies within the food production sector but help to sustain large food production companies already operating within the South Holland area that constitutes the majority of the commercial use upon the A17.

These industrial sectors are also key to growth in the UK economy. South Holland is attractive to investment in these key sectors due to the area's quality land and crop potential. The area is particularly important to the UK for European consolidation in the food processing/manufacturing sector.

LCC will obtain detailed legal advice regarding the State Aid implications of this project as necessary however, it is our initial and informal opinion that the roundabout will be designed and operate in such a way that it will not only serve the site, but also act as a link with the existing highway infrastructure. Under State Aid rules, the provision of general infrastructure which cannot be commercially exploited in any manner can validly be regarded as a function of the State and therefore "non-economic" in nature. It therefore generally falls outside the State Aid rules. Officers are of the initial opinion that the construction of the roundabout would amount to general infrastructure works and thus fall outside the reach of State Aid rules provided that the works do not alleviate any party of their normal planning obligations.

It is assumed that in relation to the construction of the roundabout, normal planning conditions would require some form of contribution towards the cost from benefiting developments where the works increase the value of their land. Also, connections to the highway are usually regarded as normal development costs and would therefore be met by benefitting landowners. Therefore, in this case, the landowners to the west and east of the A17/A151 junction would be expected to pay for these connection costs.

Project Objectives

- What is the project going to achieve, the project's objectives should be SMART i.e. specific, measurable, achievable, realistic and timebound.

The A17/A151 junction improvements at Holbeach will deliver against the following objectives:

- Provide access to approximately 40 hectares (100 acres) of residential development land and 10 ha (25 acres) of employment land by 2016.
- Increase the stock of residential properties in south east Lincolnshire by circa 900 units by 2026 (assuming a 10 year total build out period for all residential development)
- Increase the amount of employment (B1) space by approximately 24,000 sq. m. (258,000 sq.ft.) NIA by 2020
- Increase capacity in the road network by reducing the delay for right turn vehicle movements from the A151 by 2016
- Reduce the negative impacts of congestions caused by increased traffic in Holbeach town centre by 2016.
- Contribute to the increased economic growth of Holbeach and attract new inward investment from 2016 onwards

Linkage to SEP Programme and relevant Plans

Describe how the project will link to and deliver against requirements of:

- The SEP
- Other relevant local economic strategies, national plans and strategies

Business Case for Single Local Growth Fund

Linkage to SEP Programme:

This project links directly to the one of the SEPs five priority strands; "A Location for Investors".

- Will enhance investment interest in South Lincolnshire and have a direct positive impact on employment levels.
- Will support sustainable economic growth by providing an improved highway infrastructure, especially for west bound vehicular movement
- Provides investment for A17 which is identified in the SEP as a "main growth corridor".
- Creates significant housing growth and generates investment in order to maximise build rates.
- Will provide effective and efficient infrastructure to support investment and enhance economic growth including roads which are recognised as enabling and supporting housing and job growth by bringing forward new development.

Other relevant local economic strategies, national plans and strategies:

- A17/A151 Junction Holbeach, Potential Improvement Assessment Report
- There is clear planning policy support for the development of land to the east of the A151 for residential use. For example, the land is identified in the extant South Holland District Council Local Plan (Adopted July 2006)
- Holbeach is identified within the South East Lincolnshire Local Plan Strategy and Policies DPD Preferred Options Summary as a main service centre which will continue to provide significant housing, employment and commercial development to support its role as a service centre for the surrounding rural area.
- Peterborough Sub-Regional Strategic Housing Market Assessment (July 2014)
- Lincolnshire Employment Sites and Premises Study –SQW Limited
- Lincolnshire County Council's Fourth Local Transport Plan (LTP) covers the period 2013/14 to 2022/23 and identifies both the A17 and A151 as principal A roads.
- Impact of Transportation on Maximising Economic Growth – LCC Economic Scrutiny Committee Review June 2014

Need and Demand

Why is this project needed?

The scheme is important as a component of improving both the jobs and growth in the south of the Greater Lincolnshire area. The scheme offers the opportunity to open up areas of land for an important employment sector with links to a nationally recognised academic institution which will have wider benefits to the food manufacturing sector.

Business Case for Single Local Growth Fund

The A17 is highlighted in the LCC Economic Scrutiny Committee, Impact of Transportation on Maximising Economic Growth Report as a key economic corridor and a critical route for manufacturing and tourism businesses in Lincolnshire.

It will release land available for larger businesses to invest within creating employment opportunities for local areas that link with the housing opportunities outlined in the business case.

Improvements are required at the A17/A151 junction to the north west of Holbeach in order to provide access to development land to the east and west of the A151. There is evidence of a lack of commercial business space in Holbeach and the surrounding area and the development of the subject land would allow new start up business units and grow on space to be provided in order to meet demand.

At the moment the demand for new space cannot be realised as the timescales involved in bringing forward the infrastructure to unlock development is a deterrent and creates uncertainty.

The current road layout will not allow appropriate access to otherwise developable land and safety concerns regarding the configuration of the existing junction are a further barrier to growth.

There is anecdotal evidence that many businesses located in south east Lincolnshire are hindered by capacity associated with the A17 and it is feared that, ultimately, some businesses will decide to relocate outside of Lincolnshire.

Land located immediately to the east and west of the junction is proposed for residential and commercial development respectively. The residential land could accommodate circa 900 dwellings while land to the west is proposed to accommodate approximately 24,000 sq. m. (258,000 sq. ft.) NIA of B1 employment use.

Whilst the primary function of the scheme is to provide access to commercial and residential development, it will also have an additional benefit of reducing traffic congestion in Holbeach town centre which is currently created by traffic attempting to access the A17 via alternative junctions. By reducing congestion, the town centre environment will be enhanced which will in turn attract retail investment into the centre of Holbeach.

This project supports the SEP's 5 key priorities and in particular:

- To drive the growth of the area's three defining and strongest sectors that offer the most competitive advantage: agri-food, manufacturing and visitor economy
- To promote Greater Lincolnshire as a place for sustainable growth through improved transport infrastructure to connect us with national and international markets

Why is public sector funding needed? Give details of other funders approached and their responses and explain why SLGF is the minimum required for the project to go ahead?

Market intelligence shows that the private sector is often unwilling to undertake residential or commercial development at the present time because rental and freehold values are too low to support the cost of development. This situation is exacerbated when abnormal or exceptional development costs are encountered. For example, the cost of decontaminating brownfield land or, in this instant case, the cost of undertaking major highway improvements.

Private sector developers also continue to face difficulties in securing development finance to fund schemes following the economic downturn which has had a major negative impact in investor confidence.

As a result, the private sector continues to be reluctant to bring forward development of this nature. However, public sector intervention can show that occupier demand for commercial and residential space does exist and with some initial "pump priming" the private sector will have the confidence to proceed.

Unfortunately, in the current public sector funding climate, Lincolnshire County Council is unable to fully fund the highway improvements required to unlock development in Holbeach. ERDF support is not available in this instant case as the development will include the provision of residential space.

What evidence has been undertaken to demonstrate the need, demand or impact of this project?

Reference has already been made in previous sections of this application, to the A17/A151 Junction Holbeach, Potential Improvement Assessment Report – Commissioned by Lincolnshire County Council and Lincolnshire Employment Sites and Premises Study. Without this project the economic opportunity that presents itself will not be captured. The area is not able to secure significant opportunities because of the lack of infrastructure in place to support the development of employment land.

Safeguarding jobs within this proposal has been based on a piece of mapping work carried out by both Lincolnshire County Council and South Holland District Council, which has looked at the levels of available business space, in and around the South Holland area. Following this piece of work, it has been ascertained that there is very little flexibility within the district to retain businesses who may want to expand and/or who need to relocate where better transport infrastructure links are available.

This initially has been flagged with both Lincolnshire County Council and South Holland District Council in terms of at least four businesses who have or could move out of the area recently, and if an alternative option could be offered may have stayed, and ultimately safeguarded /retained jobs in that industry.

This project will allow the area to offer alternatives to these businesses, retaining both jobs within the businesses affected as well as the supply chain serving these businesses.

The need and demand for this projects objective is acute and actual investment opportunity is currently being lost to the area.

Why should the project be funded by the SLGF i.e. would this project go ahead anyway?

Growth Deal funding combined with limited local public sector funding and private sector investment will allow the project to go ahead within the timeframe desired in order to bring forward residential and commercial development on land adjacent to the A17/A151 junction.

It is recognised that Growth Deal funding is a competitive funding source and the A17/A151 project is designed to be deliverable so that development of adjoining land can come forward promptly.

Without SLGF funding, the cost of providing utility infrastructure and the highway improvements necessary to facilitate the development will have a significant, negative impact on the viability of the commercial and residential development on neighbouring land. This will make the provision of commercial and residential development unattractive to developers in the medium term,

Option Analysis

- Describe what would happen if:
 1. No SLGF funding was available
 2. If you were to receive reduced SLGF

If no Growth Deal funding is available the development of land either side of the A151 would not occur in the foreseeable future and the traffic congestion within Holbeach would continue to cause a negative impact on the town centre, and the areas potential for growth.

The project is dependent on receiving the full funding amount requested as it cannot be sub-divided into smaller delivery outputs. Therefore providing a reduced funding package is not considered feasible.

Estimated Deliverables (Outputs/Results/Impacts), Costs and Funding

Project Deliverables

How will the outputs and results support the delivery of the project's objectives described address the issues identified?

The key deliverables of the project are new commercial floor space of circa 24,000 sq. m, (258,000 sq.ft) NIA and approximately 900 new residential units as well supporting community and environmental infrastructure such as public open space etc.

The high quality commercial development proposed would generate the following economic outputs:

- 230 jobs created in the long term, including 80 construction jobs
- 120 jobs safeguarded by 2020/21
- 28 businesses created by 2020/21

The project will also facilitate investment in Holbeach town centre by improving the town centre environment and making it more attractive for retail led investment.

The creation of new employment and residential space will make a significant contribution to the growth targets for South East Lincolnshire identified in the emerging planning policy documents.

It is expected that the scheme would facilitate the provision of 200 new dwellings in the medium term (2017/18 and 2018/19). This is based on the assumption that two major house builders will be active on the site during this time, each constructing 50 dwellings per annum. It is acknowledged that house builders benefit from the synergy created by developing sites where more than one builder is active.

Project Impact

What is the project impact of the Project?

The Project will provide:

- New high quality employment space and residential units on undeveloped land to the north west off Holbeach
- Reduce delays in vehicle movement currently encountered, especially for traffic turning right from the A151
- Reduce the negative impact of traffic congestion on the A17 and Holbeach Town Centre

Indicative Costs

	Previous Years & 2014/15	Year 1 2015/16	Year 2 2016/17	Year 3 2017/18	Future Years	Total
Proposed Capital Costs	0	0	£2,950,000	£500,000	0	£3,450,000
Proposed Revenue Costs	0	0	0	0	0	0
Total	0	0	£2,932,500	£517,500	0	£3,450,000
SLGF Capital	0	0	£2,415,000	0	0	£2,415,000
SLGF Revenue	0	0	0	0	0	0
Total	0	0	0	0	0	0
Other funding	0	0	£517,500	£517,500	0	£1,035,000

Which of these funds are committed?

The above funds are not committed at the present time.

Indicative Economic Outputs

	Short term 2015/16 to 16/17	Medium Term 2017/18 to 18/19	Long Term 2019/20 to 2020/21

Number of Jobs Created	20 construction jobs	40 (construction jobs) 190 (occupiers)	40 (construction jobs) 190 (occupiers)
Number of Jobs Safeguarded	0	60	60
Creation of new Businesses	0	8	20
Number of Businesses expanding	0	1	5
Numbers of Business Supported	0	5	5
Hectares of new Employment land	0	10	0
Number of Housing units	0	200	700 up to 2026 (assume 100 units pa)
Financial Leverage – broken down into public sector leverage and private sector leverage	£517,500 (assume 50/50 public/private split)	£517,500 (assume 50/50 public/private split) £3,000,000 (Cost to private sector to service employment land)	0
Skills – please state			
Others please state		Approx. 12,000 sq. m (NIA) of new, high quality B1 employment space created	Approx. 12,000 sq. m (NIA) of new, high quality B1 employment space created

Project Management Capacity and Risk
Describe the resources, knowledge, expertise and skills that you and any delivery partners have to deliver the project.
<p>The primary delivery body will be Lincolnshire County Council working closely with South Holland District Council and private sector land owners and developers as necessary.</p> <p>Lincolnshire County Council is the highway authority as well as the strategic floods and waterways management authority and has a strong track record of delivering major infrastructure and regeneration projects. Examples include the Grantham Growth Point public realm improvements and Teal Park business park in Lincoln.</p>

The County Council has a series of strategic framework contracts that it can call upon to help deliver capital projects similar in size and scale to the subject scheme. It also has appropriate financial management resources and expertise to act as accountable body for the project.

South Holland District Council is the local planning authority and also benefits from experienced planning and economic development teams.

The majority of land identified for residential development to the east of the A151 is in the ownership of Lincolnshire County Council.