

**Open Report on behalf of Richard Wills Executive Director for Economy and Environment.**

The main body of the Report is open. Appendix E is not for publication by reason of paragraph 3 of Schedule 12A to the Local Government Act 1972. The Exempt Appendix contains information relating to the business of both the Council (land valuations which will be relevant to negotiations over future disposals of the FEZ site) and third parties (negotiating positions within confidential negotiations over land acquisitions and disposals). It is important that third parties can negotiate in good faith with the Council in conditions of confidentiality and the public interest in maintaining those conditions while negotiations are ongoing is considered to outweigh the public interest in disclosure.

Report to:	<b>Executive</b>
Date:	<b>07 February 2017</b>
Subject:	<b>South Lincolnshire Food Enterprise Zone and Peppermint Junction Improvements, Holbeach</b>
Decision Reference:	<b>I012769</b>
Key decision?	<b>Yes</b>

**Summary:**

This report seeks the approval of the Executive to a range of interlocked activities at Peppermint Junction on the north western edge of Holbeach which would see the creation of a Food Enterprise Zone (FEZ), the provision of enabling highways improvement works and the delivery of circa 900 new dwellings.

A number of activity strands are needed to facilitate this programme of work. These activities have either been completed or are at an advanced stage.

In particular, the following activities are being progressed:

- Enabling highway works required on the A17 and A151 to unlock the development of the FEZ and housing growth.
- Approval will be required to award the contract for these works once tenders have been received.
- The acquisition of private sector owned land needed to bring forward the FEZ.
- The sale of LCC owned land at Peppermint Junction to the University of Lincoln for new campus facilities within the FEZ. This land is currently held by the Council's Farm Estate.

- The transfer of various property interests (leasehold and freehold) at the existing University of Lincoln Holbeach Campus in order to "unlock" funding for the University's new facilities.
- Once serviced and other enabling works completed by LCC, declare as surplus and dispose of public sector owned land at the FEZ for suitable employment uses.
- Work in partnership with South Holland District Council, and if appropriate agree commercial terms to work in partnership, to deliver the FEZ. This may include holding property interests jointly.

Approval is sought in principle to carry out all of the above activities. Delegations are sought to enable the detail to be determined and approved by the appropriate Executive Director in consultation with the appropriate Executive Councillor, in this case, the Executive Councillor for Culture and Emergency Services.

**Recommendation(s):**

That the Executive:-

(1) approve the carrying out of highway improvement works on the A17 and A151 at Holbeach as described in the Report and the appropriation of County Farms Estate land to use for the highway improvement works;

(2) delegate to the Executive Director for Environment and Economy, in consultation with the Executive Councillor for Highways, Transport and IT and the Executive Councillor for Culture and Emergency Services, authority to determine the final form and approve the entering into of the contract for the highway works;

(3) approve the development of a Food Enterprise Zone (FEZ) on land to the west of the A151 at Spalding as more fully described in the Report to include:-

- a) The use of Council land for such purposes including to the extent required the appropriation of County Farms Estate land to use for the FEZ;
- b) The acquisition of privately owned land for such purposes;
- c) The carrying out of servicing and other enabling works on the FEZ site and disposal of serviced sites

(4) approve the sale of approximately [three acres] of Council owned land on the site of the FEZ to the University of Lincoln for new campus facilities and the acquisition/disposal by the Council of various leasehold and freehold property interests of the University of Lincoln at the existing University of Lincoln Holbeach Campus.

(5) approve continued discussions with South Holland District Council over commercial terms for working in partnership to deliver the FEZ including shared property ownership.

(6) delegate to the Executive Director for Finance and Public Protection, in consultation with the Executive Councillor for Highways Transport and IT and the Executive Councillor for Culture and Emergency Services, the authority to determine the terms of any land appropriations, disposals and acquisitions relating to paragraphs 1, 3, 4 and 5 or otherwise relating to the highway works or the FEZ and to approve the entering into of any legal documentation necessary to give effect to such appropriations, acquisitions and disposals;

(7) delegate to the Executive Director for Environment and Economy, in consultation with the Executive Councillor for Culture and Emergency Services, authority to make decisions on how to bring forward the development of the FEZ including decisions as to the programming of land acquisitions and works and partnership working with South Holland District Council.

**Alternatives Considered:**

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| 1. | Do nothing - Without public sector intervention it is highly unlikely that the FEZ will come forward in a reasonable timeframe and the University of Lincoln will be unable to deliver its growth plans in Holbeach. The FEZ and residential development to the east of the A151 can only be fully unlocked following completion of the Peppermint Junction Highway scheme. Should the programme of works associated with the South Lincolnshire FEZ and Peppermint Junction Highway Scheme not proceed, there will be continued safety issues at this strategic junction of the A17 and A151. Congestion in Holbeach town centre will continue to hinder the regeneration of the town centre. |
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**Reasons for Recommendation:**

The completion of the activities detailed in this report will facilitate the timely delivery of a programme of works at Peppermint Junction Holbeach including road improvements, FEZ and housing development. These works will lead to the following benefits:

- Road safety improvements at the A17/A151.
- Reduced congestion in Holbeach Town Centre.
- Release of land needed for the creation of the FEZ and employment growth associated with the provision of approximately 59,000 sq m of new employment space.
- Release of land for the construction of circa 900 new homes.
- Expansion of the University of Lincoln in Holbeach.
- Uplift in value of LCC owned land.

**1. Background**

The Peppermint Junction/South Lincolnshire Food Enterprise Zone (FEZ), hereafter referred to as Peppermint Park, Holbeach (a Food Enterprise Village), comprises a number of interdependent and linked projects including highway

improvements at the A17/A151 junction, creation of a FEZ on land to the west of the A151 and the delivery of a large scale housing development to the east of the A151.

**Highway Works**

The highway works required to unlock growth opportunities in Holbeach include the creation of a new, three arm, roundabout at the existing junction of the A17/A151. A new, four arm, roundabout to the south of the A17 is also required in order to provide access to residential land to the east of the A151 and open up development land to the west of the A151 earmarked for the FEZ.

This highway works will also provide a number of additional benefits including road safety improvements, improved traffic flow on the A17 and reduced traffic flow through Holbeach town centre. The works are indicated on the Plan at Appendix C.

Indicative milestones for the delivery of the road scheme are as follows:

- March 2016 – Planning consent secured
- December 2016 – Detailed Design completed
- January 2017 to March 2017 – Tender Period
- April 2017 to May 2017 – Mobilisation
- May 2017 – Start on Site
- May 2018 – Completion of works

External funding towards the costs of the improvements has been secured. The funding is made up of a combination of Greater Lincolnshire Local Economic Partnership (GLLEP) Growth Deal funding, s106 contributions and a balance of funding to be provided by LCC. The breakdown of identified funding is as follows:

<b>Forward Funding – LCC Capital</b>	<b>£5.42m</b>
GLLEP Growth Deal (Rnd II)	(£2.4m)
s106	(£1.0m)
<b>Net Capital Contribution by LCC</b>	<b>£2.02 m<sup>1</sup></b>

*<sup>1</sup>includes provision for optimism bias*

The Growth Deal funding (£2.4m) is being provided for the road scheme on the proviso that it will unlock economic growth on land either side of the A151.

The estimated forecast of expenditure and funding for the road scheme, including optimism bias, is as follows:

<b>Element</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/2021</b>	<b>Net Capital Cost to LCC</b>
Design Fee	£0.27M					
Land Costs	£0.05M					
Construction	£0.15M	£3.73M				
Supervision		£0.14M				
Growth Deal Round 2	(£2.4M)					
S 106 Manor Farm					(£1.0M)	
Optimism Bias Activity	£0.1M	£0.98M				
<b>Total</b>	<b>(£1.83)</b>	<b>£4.85M</b>	<b>£0.0M</b>	<b>£0.0M</b>	<b>(£1.0M)</b>	<b>£2.02M</b>

As referred to above, planning consent has been granted for the road improvements comprising the construction of a new, three arm, roundabout at the existing junction of the A151 together with the construction of a new four arm roundabout on the A151.

The tender documentation for the Holbeach Peppermint Junction Highways scheme has been released and tenders are due back on 15<sup>th</sup> February 2017. The documents also include separate requests for prices for the adjacent Boston Road Roundabout Capacity Improvements which will be separately funded but are intended to be delivered through the same contract in order to take advantage of economies of scale. Construction of the road is due to commence in May 2017.

Members are referred to the section on land transactions below in relation to necessary appropriation and acquisition of land to enable the highway works.

### **Food Enterprise Zone**

Food Enterprise Zones (FEZ's) have been created by DEFRA in order to accelerate growth in the agri-food sector. They comprise an identified piece of land and benefit from simplified planning procedures by using Local Development Order (LDO) powers.

Across Greater Lincolnshire, there are plans to bring forward three FEZ sites. Europarc 4, on the south bank of the Humber, will focus on supporting growth of the existing seafood and value-added food processing sector already established on the Humber. In Central Lincolnshire, a FEZ planned at Hemswell Cliff will support the arable food sector. The South Lincolnshire FEZ will support existing agri-food businesses as well as those looking to invest and relocate to South Lincolnshire with particular emphasis on the food technology sector.

Following provisional designation of this site as a FEZ, a DEFRA grant of £50,000 was made available to South Holland District Council (SHDC) towards the cost of a developing a LDO for the Holbeach FEZ. It is expected that the LDO will be confirmed in early 2017.

The FEZ will build on the close proximity to the National Centre for Food Manufacturing (NCFM) and will focus on the high value food chain as well as research, innovation and technology for a variety of food industries. The NCFM already provides a centre of excellence for education, training, research and development accessed both regionally and nationally. It is already supported by a number of major companies.

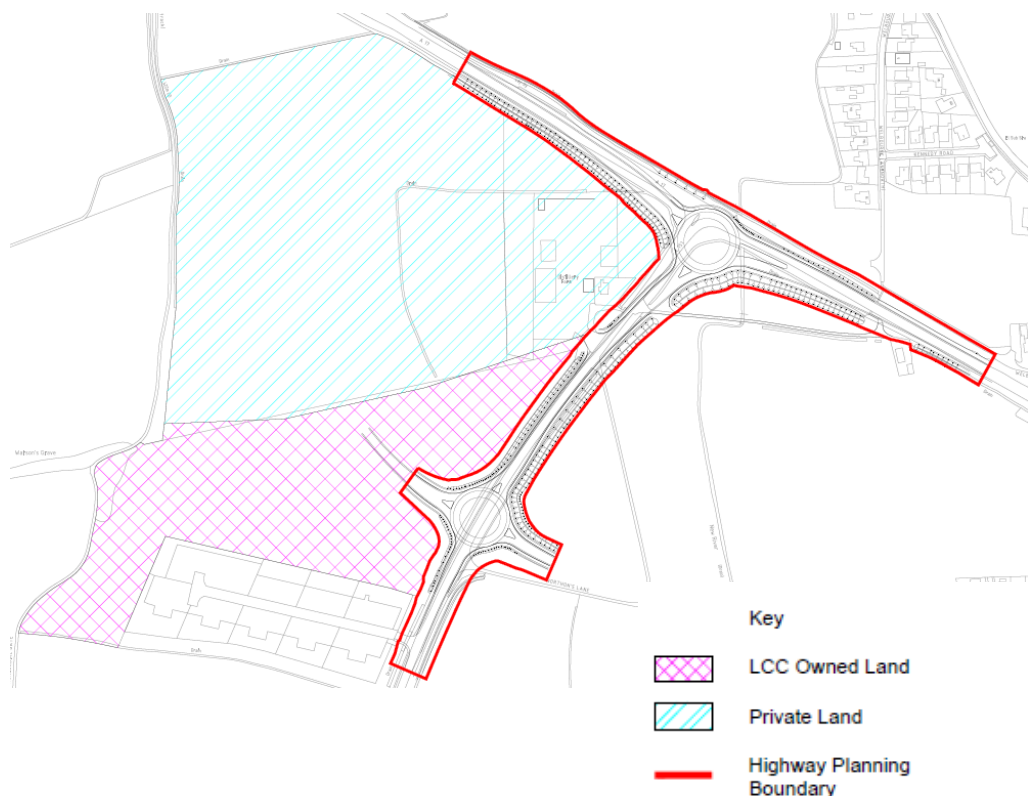
The FEZ site (shown on the Plan at Appendix D) extends to circa 15 hectares (37 acres) and the ownership is currently split between a private landowner and LCC. It is expected that once fully built out, the FEZ will provide approximately 59,400 sq m of employment space as well as new, purpose built, facilities for the University of Lincoln. The FEZ is likely to provide a number of employment "zones" with different uses including Research and Development, Engineering, Packaging and Storage etc. An indicative layout is shown on the Plan at Appendix B.

Once fully built out, the FEZ is expected to support circa 2,034 jobs.

The FEZ site is divided into two ownerships as follows:

- Approx. 4.7 hectares (11 acres) LCC freehold ownership subject to agricultural tenancies (cross hatched red)
- Approx. 10 hectares (25 acres) in single, private, ownership subject to a number of tenancies or occupational licences (hatched green)

A plan of the road design and the FEZ is below.



In the first instance, officers have been developing proposals for the creation of the FEZ on 14.7 hectares of land. This would require the Council to purchase the freehold interest of the 10 hectare site, provide site access roads and services etc and then dispose of development parcels with the benefit of planning and services.

Discussions are ongoing with the current landowner of the subject land supported by expert valuation advice.

At present, subject to carrying out appropriate due diligence, the land value coupled with the cost of servicing and providing access roads across the site may mean the cost of bringing forward the whole FEZ (15 hectare) simultaneously may become prohibitive and further viability work is required in order to determine this.

Two alternatives are being considered.

SHDC have indicated that they may be willing to co-invest alongside LCC in order to bring forward the delivery of the FEZ. Further work is required between the two authorities to examine how an appropriate legal structure could be created to formalise such an agreement and what the impact on site viability might be with further investment from SHDC. Officers would like to continue to explore this option with the support of members.

In parallel with continuing to explore the delivery model described above, officers have also begun to consider the likelihood that a phased approach to delivery of the FEZ might be more realistic in the short term whilst negotiations continue with the landowner.

Under this option, officers are considering the viability of bringing forward development on the 4.7 hectares of land already owned by LCC as the first phase of the FEZ. The remainder of the FEZ, on land currently in private ownership, could then be developed at a later stage. There are a number of advantages of this approach including:

- A "pro rata" reduction in site servicing costs and the provision of service roads etc
- No land acquisition costs including legal fees and Stamp Duty Land Tax, although some legal fees and other costs will be incurred when dealing with the existing agricultural tenancies.
- Scheme can be designed to complement the University's plans and create a gateway into the FEZ
- LCC can control and expedite delivery as landowner (once agricultural tenancies have been surrendered)
- Early delivery will promote LCC's commitment and demonstrate a strong track record in delivery
- Capital receipts could be used to fund future land acquisitions and site servicing costs etc

Further work is currently underway to consider the financial viability of a phased approach to delivery and members are asked to support the continued exploration

of this approach, including further more detailed examination of site servicing costs and how the site might be parcelled for development.

## **Land Transactions**

### *County Farms*

In order for all elements of the programme to proceed, circa seven hectares (18.1 acres) of County Farm land needs to be transferred for use of the South Lincolnshire FEZ and Peppermint Junction Road improvement scheme.

This land is currently tenanted and used for agricultural purposes. Rent for all holdings associated with this development site is £16,040 per annum.

It is proposed that 2.6 hectares (6.5 acres) of land will be required for the road improvements. A further three acres will be sold to the University and the balance of the land to the west of the A151 will be used to support employment land development as part of the FEZ.

It should be noted that LCC County Farm land to the east of the A151 will be developable for housing purposes to deliver a capital receipt. This matter is being progressed in parallel by Property Services.

Further detail of the valuation and other financial implications of the use of County Farms land are set out in the Exempt Appendix E.

### *Sale to the University*

In principle heads of terms have been agreed with the University of Lincoln (UoL) to dispose of approximately three acres of LCC owned (farm estate) land for the construction of new, purpose built facilities which will act as a catalyst for future investment and development. Detailed information regarding the "subject to contract" negotiations with the University of Lincoln is included in Exempt Appendix E.

The UoL have secured outline planning consent for the construction of their new facilities at Peppermint Junction.

### *Other highway acquisitions*

The road scheme is to be constructed on land mainly owned by LCC. Two small parcels of third party land are required and in each case, heads of terms have been agreed with the owner and solicitors instructed.

The Executive may wish to note the following

- GLLEP grant funding has been used to meet the cost of examining the feasibility and viability of the FEZ.



- LCC has secured outline planning consent for the delivery of circa 650 new dwellings on land in its ownership to the east of the A151 and is currently developing a disposal strategy to bring this land forward.
- LCC is taking a lead role in the land assembly negotiations with relevant stakeholders for the FEZ. These negotiations are at an advanced stage and remain "subject to contract".
- LCC and SHDC are working closely in order to complete various tasks and investigations necessary for the creation of a Local Development Order which is due to be adopted by SHDC in early 2017.
- A national house builder has an option over a separate parcel of land also to the east of the A151 and it is understood that they are also preparing a planning application for residential development. The combined scale of residential development on land to the east of the A151 is likely to comprise circa 900 dwellings.

### **Summary of Recommendations and Next Steps**

In order to progress with the substantive delivery of Peppermint Park, Holbeach, the Executive is asked to approve a number of enabling activities including:

- Approval is sought to award the contract for the Peppermint Junction highway works once tenders have been received. The completion of these improvements will be funded by a combination of Growth Deal funding, s106 contributions and LCC capital funding.
- The acquisition of private sector owned land needed to bring forward the FEZ.
- The sale of LCC owned land at Peppermint Junction to the University of Lincoln for new campus facilities within the FEZ.
- The transfer of various property interests (leasehold and freehold) at the existing University of Lincoln Holbeach Campus in order to "unlock" funding for the new facilities.
- Once serviced and other enabling works have been completed by LCC, to market and dispose of land at the FEZ to end user businesses.
- Work in partnership with South Holland District Council and if appropriate agree commercial terms to work in partnership to deliver the FEZ. This may include holding property interests jointly.

The Executive are asked to approve appropriate delegated authority to the appropriate Executive Directors in consultation with the Executive Councillor for Culture and Emergency Services to determine the necessary detail.

## 2. Legal Issues:

### Land Disposal

Under section 123 of the Local Government Act 1972, the Council is required to obtain the best consideration reasonably obtainable on a disposal of land. All disposals in relation to the FEZ scheme are supported by expert valuation advice to ensure that this requirement is complied with.

### State Aid

Expert external legal advice has been sought on whether any aspect of these proposals breach State Aid rules. The advice indicates that the proposal can be pursued without state aid.

In particular the highway works qualify as general infrastructure which will be open to all on a free and non-discriminatory basis. This is generally viewed as not operating so as to provide a selective benefit to any particular commercial entities (including entities with land holdings in the area that may as a result be opened up for development).

The transfer of land to the University of Lincoln will not give rise to State Aid issues if it sold at an independently verified open market value.

The wider development of the FEZ can be brought within the provisions of an approved scheme which allows the public sector to undertake works to revitalise land it owns by funding specified costs as long as any subsequent sale is at open market value.

It is therefore considered that the proposal can be implemented without breach of State Aid rules. These requirements will be kept under review to ensure that the proposal as developed stays within these rules.

### Equality Act 2010

Under section 149 of the Equality Act 2010, the Council must, in the exercise of its functions, have due regard to the need to:

- \* Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- \* Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- \* Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; and sexual orientation.

Having due regard to the need to advance equality of opportunity involves having due regard, in particular, to the need to:

\* Remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic

\* Take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it

\* Encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low

The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to tackle prejudice, and promote understanding.

Compliance with the duties in section 149 may involve treating some persons more favourably than others.

The duty cannot be delegated and must be discharged by the decision-maker. To discharge the statutory duty the decision-maker must analyse all the relevant material with the specific statutory obligations in mind. If a risk of adverse impact is identified consideration must be given to measures to avoid that impact as part of the decision making process.

As a highway and land development scheme the implications for people with a protected characteristic are considered to be minimal. Design of highway works will comply with national standards. End occupiers will be responsible for design of building on the FEZ site but will be bound by obligations to make those building accessible.

#### Joint Strategic Needs Analysis (JSNA and the Joint Health and Wellbeing Strategy (JHWS)

The Council must have regard to the Joint Strategic Needs Assessment (JSNA) and the Joint Health & Well Being Strategy (JHWS) in coming to a decision.

The scheme contributes to the JHWS by creating employment opportunities as well as reducing traffic congestion in Holbeach.

#### Crime and Disorder

Under section 17 of the Crime and Disorder Act 1998, the Council must exercise its various functions with due regard to the likely effect of the exercise of those functions on, and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social and other behaviour adversely affecting the local environment), the misuse of drugs, alcohol and other substances in its area and re-offending in its area.

There are not considered to be any direct implications for crime and disorder.

### **3. Conclusion**

The South Lincolnshire FEZ will provide an opportunity to create new, purpose built employment space using a simplified planning process for the benefit of the agri-sector across south Lincolnshire.

The County Council is taking a lead role to bring forward the FEZ as a priority and is working closely with all stakeholders, including SHDC, in order to complete the various activity strands identified above which are crucial to unlock the FEZ site.

Delivery of the FEZ will be facilitated by the completion of a programme of inter-related projects, including highway improvements, and LCC is taking a lead role to engage with relevant stakeholders to oversee these projects and to ensure that all risks and interdependencies are identified and effectively managed.

The completion of the South Lincolnshire FEZ (the development of both LCC and private owned land) will lead to the creation of approximately 59,400sq m of new business space which will in turn accommodate over 2,000 jobs.

Negotiations are ongoing with private sector and public sector partners to ensure timely completion of the FEZ and officers are considering the most appropriate delivery model as described in greater detail within this report.

The Executive is asked to confirm its support for this project and endorse the recommendations summarised in this report.

### **4. Legal Comments:**

The Council has the legal power to pursue the proposals set out in the Report. The State Aid and land disposal implications are addressed in the Report together with the matters the Executive must take into account in reaching a decision. The proposal is consistent with the Policy Framework and within the remit of the Executive if it is within the budget.

### **5. Resource Comments:**

The Council has earmarked funds from within the 'New Developments Capital Contingency Fund' to enable the contract to be awarded for the Peppermint Junction road improvements, to be undertaken as set out in the report. If further budget is required for the land requirements for this scheme, this will need to be bid for against the capital contingency with a suitable business case.

## 6. Consultation

### a) Has Local Member Been Consulted?

Yes

### b) Has Executive Councillor Been Consulted?

Yes

### c) Scrutiny Comments

The Overview and Scrutiny Management Committee will consider this report at its meeting scheduled to be held on Thursday 26 January 2017. Comments from that meeting will be provided to the Executive.

Various elements of this programme have been considered at the Economic Scrutiny Committee on 24 May 2016 and 18 October 2016. The proposals received strong support from members at these meetings.

### d) Have Risks and Impact Analysis been carried out?

Yes

### e) Risks and Impact Analysis

A number of risks and issues associated with the programme of work are currently being monitored by officers.

## 7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Location Plan
Appendix B	Indicative masterplan of proposed of South Lincolnshire Food Enterprise Zone
Appendix C	Holbeach Peppermint Junction Highways improvement plan
Appendix D	Indicative Masterplan of showing proposed residential development
Appendix E	EXEMPT - Further Consideration of FEZ Delivery Options

## 8. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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