

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

Report to:	Councillor C J Davie, Executive Councillor for Economy and Place
Date:	02 March 2018
Subject:	Peppermint Park Food Enterprise Zone
Decision Reference:	I015183
Key decision?	Yes

Summary:

This paper provides further, detailed information on the Council's work so far to bring forward the Peppermint Park Food Enterprise Zone (FEZ) in Holbeach.

It seeks approval to proceed with Phase 1 of the Scheme to be built on approx. 6 hectares (15 acres) of LCC owned adjacent to the A17 and A151 to the north west of Holbeach subject to funding being released from the New Development Capital Contingency Fund. If approved, the Council's funding will be used alongside other funding offered in principle to the project from the Greater Lincolnshire Local Enterprise Partnership (GLLEP) and South Holland District Council (SHDC) and used to provide utility infrastructure and site service roads to Phase 1 of the FEZ. Any infrastructure provided could also benefit the early delivery of housing units on Lincolnshire County Council (LCC) owned land adjacent to the FEZ.

Recommendation(s):

That the Executive Councillor approves the implementation of Phase 1 of the Peppermint Park Food Enterprise Zone as set out in this Report, works not to commence until the Executive Director for Finance and Public Protection has approved the release of required Council funding from the New Development Capital Contingency Fund.

Alternatives Considered:

1. Do Nothing: Without public sector intervention, it is highly unlikely that the private sector will take the lead role in the delivery of the FEZ as land values and the relatively high cost of construction will not create an adequate return on investment. By continuing to take the lead role in the delivery of the FEZ, LCC will ensure that its delivery will come forward as soon as possible.

Reasons for Recommendation:

There is a clear need for LCC's investment in the scheme in order to bridge the current funding gap that has been identified.

Even though the Council will not make a direct financial profit from the scheme, its direct intervention will safeguard the long term presence of the University of Lincoln in the south east of the county and provide local food producers with access to the University's technology resources and expertise. This is considered particularly important at a time when market conditions are changing rapidly due to external influences such as Brexit etc. The Council's involvement will also ensure that new businesses are attracted to the area which will in turn maximise supply chain and "business to business" opportunities.

As well as delivering Phase 1 of the FEZ, there are a number of other activity strands that the Council is taking an active role to deliver including the planned development of 650 dwellings on land owned by LCC, opposite the FEZ. This land is unserviced but does benefit from outline planning consent and the Council has instructed Savills to undertake a market and disposal strategy.

Initial dialogue with the marketing agents has indicated that the Council could achieve an uplift in the value of its residential land if it were to provide appropriate utility infrastructure

By taking the lead role in servicing the FEZ land, officers will also investigate the cost and feasibility of providing services to its residential land in order to unlock this additional value and to achieve any other cost benefits.

In order to bridge the viability gap and support LCC's proposals, officers are exploring a number of additional funding opportunities that may be available to assist with the delivery of the scheme including private sector investment and additional public sector funding. SHDC have indicated that they would be prepared to contribute towards the cost of bringing forward Phase I in return for a commitment from LCC that it would work together on further developments within Peppermint Park including the residential development land.

1. Background

At its meeting on 7 February 2017, the Executive approved, amongst other things, the development of a Food Enterprise Zone on land to the west of the A151 in Holbeach as more fully described in the Report. That Report is referred to in the Background Papers section of this Report.

The vision for the FEZ is to create a high quality business park to meet demand from food technology businesses to take space close to existing food producers in South Holland.

At the time of the earlier Report officers were exploring the possibility of a phased approach starting (as Phase 1) with the development of approximately 4.7 hectares

of land in the ownership of the Council. LCC and SHDC have continued to work together to facilitate the delivery of Phase I of the FEZ on land adjacent to the A17 and A151 to the north west of Holbeach.

This Report now seeks approval to proceed with Phase 1 subject to funding being released from the New Development Capital Contingency Fund.

Phase 1 of the FEZ will be constructed on circa 6 hectares (15 acres) of land currently owned by LCC and includes a plot of approximately 1.3 hectares (3 acres) which is to be acquired by the University of Lincoln for the construction of a new Food Centre of Excellence. The remainder of Plot 1 will be serviced and access arrangements put in place to enable individual development plots to be sold at market value as required to meet market demand. The extent of the Council owned land which comprises Phase 1 is shown on the attached plan.

The Council's preferred delivery model for the FEZ is to put in place all the necessary utility and site servicing infrastructure, including access roads etc, to Phase I of the FEZ which will be built on land wholly owned by LCC. Once serviced and accessed, the Council will sell off serviced sites to developers and/or owner occupiers at market value in order to recoup a substantial amount of the initial investment.

The Council's plans to provide enabling infrastructure to Phase 1 of the FEZ has already attracted "in principle" funding of £3.0 million from the LEP for utilities and service roads etc.

The completion of Phase 1 of the FEZ will provide a number of outputs including approximately 16,000 m² of employment space and circa 400 jobs.

The University of Lincoln are planning to develop a Centre of Excellence within Phase 1 of the FEZ which will be an early anchor tenant and act as a strong catalyst for the subsequent development of the FEZ.

Final agreement is being documented with the University of Lincoln for the sale of 1.3 hectares (3 acres) of LCC owned land for the development of the Food Centre of Excellence. This 1,390m² facility already has outline planning consent and full consent is expected to be granted in summer 2018 with a start on site programmed for autumn 2018.

The University has attracted circa £6 million of the public sector funding (LEP and ERDF) for the construction of the Centre, however this funding carries strict time limits for expenditure, otherwise it will be lost.

All parties are therefore working to ensure that the milestones identified below are met in order to ensure that work starts on site in October 2018. The Centre is due to open in Spring 2020.

Timetable

The delivery of the FEZ and the Centre of Excellence being developed by the University of Lincoln is dependent on a number of critical milestones as follows:

- University to submit detailed planning application to SHDC – March 2018

- University and LCC to complete legal documentation for land transfer – March 2018
- SHDC to issue planning decision – June 2018
- Start on Site – Autumn 2018

Progress against these milestones is reviewed monthly by the Programme Board which is attended by senior representatives from stakeholders comprising LCC, SHDC, GLLEP and University of Lincoln.

Progress on Local Development Order

SHDC are about to publically consult on the draft Local Development Order covering the FEZ before it is expected to be adopted in Spring 2018. Once in place, the LDO will create a simplified planning regime for qualifying development in the agri-food sector and give developers and occupiers much great planning certainty.

Financial Implications

It is estimated that the cost of servicing the first tranche of land within Phase 1 would be in the region of £6.4 million. Using the Council's appointed property advisers working figures, it is estimated that the total capital receipt for the sale of plots initially brought to the market would be approximately £1.25 million.

The total cost of servicing and providing access roadways etc to the whole of Phase I has been quoted as being in the order of £10 million. Officers are of the view that this may be a very cautious figure and are currently seeking to validate the true amount which is hoped will be less than this initial estimate.

The Council's preferred approach to service part of Phase1 in the first instance will assist the Council to "cash flow" the scheme, provide enabling infrastructure to the Centre of Excellence AND provide enough developable land to meet anticipated demand over a 2 – 3 year period. However it may create additional work to obtain the necessary consents and placing orders with the utility providers etc when current land supply is exhausted.

Officers have commissioned specialist consultants to assist with the design and specification of the utility infrastructure. Some initial investigations have been undertaken to determine these costs which can be summarised as follows.

Summary of Estimated Utility Costs*	
Item	Estimated Cost
Spine Road	£1,350,000
Surface Water	£163,500
Foul Water	£1,035,000
Mains Water	£1,592,000
Gas	£188,000
Telecoms	£81,500
Electricity	£2,075,000
Total	£6,485,000

*The above costs are initial estimates only and further work is ongoing to confirm these figures.

The table below provides a summary of the funding sources identified to facilitate the project.

Element	Value (million)
Growth Deal Rnd 3	£3.0
Public Sector Partners	£0.5
LCC	£2.9
Total	£6.4

The project received a significant boost following completion of highway improvements on the A17 and the construction of a new, four arm, roundabout on the A151 which now provides direct access to the FEZ site as well as to residential development land to the east of the A151, also owned by LCC.

It is important to highlight the dependencies between the highway improvements that were recently completed and which received over £2 million of Growth Deal Round II funding. This grant was accepted on the condition that certain economic outputs would be delivered following completion of the road.

The following comment on the legal implications of the FEZ proposal was included in the Report to Executive on 7 February 2017 and remains valid.

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 the proposals in this Report breach State Aid rules. The advice indicates that the proposal can be pursued without state aid.

The transfer of land to the University of Lincoln will not give rise to State Aid issues if it is 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.

Detailed Understanding of the Benefits of LCC Investment

Having considered many delivery options it is proposed that the Council's preferred approach as set out in this paper would provide the most benefits including:

- Business Space – Phase I of the FEZ is expected to provide 16,000 sq m (173,250 sq ft) of mainly B1 employment space across 11 development plots.
- Employment Growth - Phase I will safeguard and create circa 400 jobs
- Investment in infrastructure to enable the development of the FEZ may also mitigate costs and facilitate earlier development on LCC owned to the east of the A151 which already benefits from outline planning consent for the construction of 650 new dwellings
- Strategic fit with plans to develop the University of Lincoln's Centre of Excellence which already has outline planning consent.
- Innovation – The FEZ will provide a range of development opportunities specifically designed to nurture and grow the agri-tech sector along the A17 corridor in south Lincolnshire.
- Need to demonstrate a strong track record in ability to deliver infrastructure projects using growth deal funding in order to secure further investment in the future.
- The Council's investment will enable the UoL to secure £6 million of public sector funding for the construction of the Food Centre of Excellence. This is in addition to the £3 million of Growth Deal Round 3 monies allocated in principle to LCC for the provision of Phase I infrastructure. This brings the total cost of public sector "match" funding to £9 million across both projects.
- The whole FEZ site will provide a pipeline of growth for Holbeach for a 15 to 20 year period.
- The FEZ supports many key priorities identified in the GLLEP Strategic Economic Plan, including the need to drive the growth of the agri-food and manufacturing sectors. Appendix A provides more detailed analysis to demonstrate the need for the FEZ.

2. Legal Issues:

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 land development scheme the implications for people with a protected characteristic are considered to be minimal. 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.

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 Report seeks approval in principle to the Council proceeding with Phase 1 of the Peppermint Park Food Enterprise Zone subject to Council funding being released from the New Development Capital Contingency Fund.

4. Legal Comments:

The Council has the power to pursue the Food Enterprise Zone Phase 1 proposal.

The legal implications are dealt within the Report.

The recommendation is consistent with the Policy Framework and within the remit of the Executive Councillor if it is within the budget

5. Resource Comments:

Funding to enable Lincolnshire County Council to contribute towards this project, has been earmarked from the approved New Developments Capital Contingency Fund, this is subject to satisfactory contributions from partner organisations being agreed before commencement of the project.

6. Consultation

a) Has Local Member Been Consulted?

Yes

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

This decision will be considered by the Environment and Economy Scrutiny Committee at its meeting on 27th February 2018 and the comments of the Committee will be reported to the Executive Councillor.

d) Have Risks and Impact Analysis been carried out?

Yes

e) Risks and Impact Analysis

See the body of the Report

7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Indicative Masterplan of the Peppermint Park Food Enterprise Zone
Appendix B	Peppermint Park Food Enterprise Zone (FEZ) Development

8. Background Papers

The following Background Papers within the meaning of section 100D of the Local Government Act 1972 were used in the preparation of this Report

Background Paper	Where it can be viewed
Report to Executive "South Lincolnshire Food Enterprise Zone and Peppermint Junction Improvements, Holbeach", 7 February 2017	Democratic Services

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