

Open Report on behalf of Andy Gutherson, Acting Executive Director for Place

Report to:	Environment and Economy Scrutiny Committee
Date:	15 January 2019
Subject:	Peppermint Park Food Enterprise Zone

Summary:

This paper provides a detailed update on the Council's work to bring forward the Peppermint Park Food Enterprise Zone (FEZ) in Holbeach.

Phase 1 of the FEZ will be built on approximately six hectares (15 acres) of LCC owned adjacent to the A17 and A151, to the north west of Holbeach. LCC funding will be used alongside a suite of other funding that has either been secured (Growth Deal) or been offered in principle (SHDC) to meet the cost of providing utility infrastructure and site service roads to Phase 1 of the FEZ.

Since the last briefing paper to members, SHDC have advised that they would be willing to contribute £300,000 towards the cost of servicing Phase 1 of the FEZ and a further £800,000 towards the acquisition of land to the south of the A17. This offer is subject to final approval by SHDC members and has been made on the basis that LCC and SHDC work in partnership to acquire third party land from the current owner. In order to progress this matter, and facilitate subsequent negotiations, both councils have agreed to jointly procure an independent valuation of the subject site.

Actions Required:

The Environment and Economy Scrutiny Committee is invited to:

1. Consider the update on implementation of Phase 1 of the Peppermint Park Food Enterprise Zone as set out in this Report; and,
2. Endorse the delivery of the Peppermint Park FEZ as a key priority for LCC.

1. Background

Officers have continued to progress the delivery of the FEZ in accordance with the wishes of the Executive as confirmed at its meeting on 7 February 2017. At this meeting, the Executive approved the development of a Food Enterprise Zone on land to the west of the A151 in Holbeach. A copy of the February 2017 Report is referred to in the Background Papers section of this paper.

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.

The delivery strategy for the FEZ is for a phased approach to bring forward Phase 1 comprising of approximately six hectares (15 acres) of land owned by LCC. The land is located adjacent to the A151 to the north west of Holbeach and includes a plot of approximately 1.3 hectares (three acres) which is to be acquired by the University of Lincoln for the construction of a new Food Centre of Excellence. This building will be an early anchor tenant and act as a strong catalyst for the subsequent development of the FEZ.

The remainder of Phase 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 and to recoup a substantial amount of the initial investment. The extent of the Council owned land which comprises Phase 1 is shown on the attached plan.

Over the last 12 months we have focused on the following activity strands:

- Adoption of the Local Development Order by SHDC – Confirmed November 2018
- Contracting with the LEP to secure Growth Deal Funding of £3 million – Confirmed in March 2018.
- Agreeing all contractual matters with the University of Lincoln to safeguard the provision of the Food Centre of Excellence – Contractual matters were signed off in August 2018.

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

The Food Centre of Excellence will provide 1,390m² of space and has secured detailed planning consent with works due to start on site in late summer 2019. There has been a delay in the programme for the construction of the Centre pending confirmation of all of the University's funding streams. These have now been confirmed.

The Holbeach Food Enterprise Zone Local Development Order (LDO) was adopted by SHDC on 20th November 2018 and is designed to streamline the planning process by removing the need for developers to make separate planning applications for development within the FEZ. In effect, the LDO grants outline planning permission, with all matters reserved, for employment and education-led schemes on the whole of the FEZ site for the following range of uses:

- 20,000 square metres of B1 Business Use (offices/research and development)
- 20,000 square metres B2 General Industrial Use
- 9,500 square metres D1 Non-Residential Institutional Use (education and training)
- 1,500 square metres D2 Conference Facilities
- 1,500 square metres A2 Financial and Professional Services Use
- 3,000 square metres C1 Hotel or Motel Use
- Ancillary B8 Storage & Distribution and A3 Restaurant/Café Use

The LDO also grants permission in principle for associated infrastructure and site preparation works. This will assist LCC when it constructs the site access roads as it will make the planning process much simpler and quicker.

Financial Implications

It is estimated that the cost of servicing the first tranche of land within Phase 1 will 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 following table provides a breakdown of these cost estimates and further work is ongoing to confirm these figures.

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 total cost of servicing and providing access roadways etc to the whole of Phase 1 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 once more detailed estimates can be provided by the utility companies.

The Council's preferred approach continues to be to service part of Phase 1 in the first instance which 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 two to three 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.

Orders have now been placed with all the utility providers needed to meet the needs of the Centre of Excellence and detailed design work is at an advanced stage for the first 60 metres of estate service road. Officers have recommissioned AECOM and Gleeds to assist with the design and specification for all of the utility infrastructure needed.

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	£0.3 (see below)
LCC	£3.4
Total	£6.7

Discussions with SHDC regarding a funding contribution towards the development of the FEZ have been progressed and the district council has indicated that they would be willing to provide funding in the region of £1.1 million towards the scheme with a split as follows (subject to SHDC member approval):

- £300,000 towards infrastructure costs for Phase 1
- £800,000 towards the land acquisition of third party land

SHDC would expect to obtain an appropriate equity stake in the scheme in exchange for the contribution towards the acquisition of third party land.

Officers are also mindful that the University may also be interested in making a contribution to the acquisition of third party land in order to hold an equity stake in the FEZ but no detailed discussions have been held with the University at this stage.

In order to facilitate the acquisition of third party land immediately to the south of the A17, LCC and SHDC have jointly commissioned an independent valuation of the land, the details of which are expected to be available in January 2019.

It is important to highlight the dependencies between the highway improvements on the A17 and A151 that were recently completed one year ago 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 improvements.

The Growth Deal funding provided by the LEP has already been transferred to LCC and the current spend profile has been designed to ensure that the funding is spent by the 2021 deadline after which any unspent money would be returned to the funder, in this case, central government.

There is a clear need for LCC's investment in the scheme in order to bridge the current funding gap. 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 Holbeach and provide major food producers located nearby with access to the University's technology resources and expertise. The Council's involvement will also ensure that new businesses are attracted to the area which will in turn have a positive impact on supply chain and "business to business" opportunities.

3. Conclusion

The delivery of the Peppermint Park FEZ is a key priority for LCC. However it faces a number of critical challenges that need to be resolved in order for the scheme to proceed in a timely manner.

The Council's investment in the provision of site enabling infrastructure for utilities and access arrangements will bring a number of positive outcomes including securing the construction of the University of Lincoln's Food Centre of Excellence.

The issues, described above, are centred on the overall viability of the scheme due to the high cost of providing utility infrastructure balanced against the wider economic benefits delivery of the UK's leading Agri-Food sector FEZ will bring to the County in terms of job creation, economic growth and prestige.

Having considered this matter in detail, the ability of the Council to forward fund the project and seek to recover a substantial proportion of its investment from a combination of further Growth Deal Round funding (which has already been received) and capital receipts from the sale of serviced land, represents a mitigation strategy against any risk associated with bringing forward this project at the present time.

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.

4. Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

See the body of the Report

5. Appendices

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

6. 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	http://lincolnshire.moderngov.co.uk/ieDecisionDetails.aspx?ID=347

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