

**Open Report on behalf of Andy Gutherson, Executive Director – Place**

Report to:	<b>Environment and Economy Scrutiny Committee</b>
Date:	<b>08 September 2020</b>
Subject:	<b>South Lincolnshire Food Enterprise Zone</b>

**Summary:**

This paper provides a detailed update on the Council's work to bring forward the South Lincolnshire Food Enterprise Zone (FEZ) in Holbeach and seeks views from members of the Environment and Economy Scrutiny Committee regarding an initial proposal for the future branding of the scheme recognising its strategic relationship with other FEZs in Greater Lincolnshire.

Phase I of the FEZ is being delivered on approximately six hectares (15 acres) of LCC owned adjacent to the A17 and A151, to the north west of Holbeach. Funding for the project so far has been via a combination of LCC capital programme funding and Growth Deal Round Three funding. Additional "Getting Building" funding has just been awarded to the Council to continue with the delivery of the FEZ with match funding provided by SHDC.

**Actions Required:**

The Environment and Economy Scrutiny Committee is invited to notes the update on implementation of Phase 1 of the South Lincolnshire Food Enterprise Zone as set out in this Report and provides feedback on the branding suggestion that has been made for the scheme.

## **1. Background**

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 I 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. Phase II comprises land to the north of Phase I and is currently in third party ownership. The extent of the Council owned land which comprises Phase I is shown on the attached indicative master plan and comprises plots one to 12.

A Local Development Order (LDO) was adopted by SHDC on 20<sup>th</sup> November 2018 in order 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.

Plot 1 of the FEZ extends to approximately 1.3 hectares (three acres) and has been acquired by the University of Lincoln for the construction of a new Food Centre of Excellence and a separate Institute of Technology building. The Centre of Excellence will be an early anchor tenant and act as a strong catalyst for the subsequent development of the FEZ. The building is currently being constructed and once complete will provide 1,390m<sup>2</sup> of space. Completion is expected in early 2021. There has been a slight delay in the programme for the construction of the Centre due to a number of factors including adverse weather conditions over the winter and as a result of the coronavirus pandemic which forced construction work to be temporarily halted.

The remaining 11 development plots within Phase I are in the process of being serviced with access arrangements also being put in place to enable each plot to be let on a very long lease at market value in order to meet market demand and to recoup a substantial amount of the initial investment.

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

- Provision of all major utility services. A summary of the infrastructure being provided is shown in Table A below.
- Construction of the first 60 metre section of site service road to access the first four or five development plots.
- Liaising with, and supporting, the University of Lincoln to safeguard the provision of the Food Centre of Excellence
- Obtaining additional public sector funding needed to deliver further elements of the scheme.
- Commissioning a detailed "Visioning" exercise to gather market intelligence to help us shape the development of the FEZ and determine what specific requirements the agri-food sector had.

*Table A. Summary of Infrastructure Provision*

<b>Utility</b>	<b>Specification</b>	<b>Expected Completion</b>
Power	275Kva to UoL Only.	Complete
	1.7MVA overhead line upgrade	Start late Spring 2021 Complete Winter 2021
Water	Onsite works for UoL	Complete
	Offsite upgrade works for potable water	Start Oct '20 and complete by Feb '21
Foul	Foul pipes in highway of Phase 1a	Complete
	Foul Pumping Station for all of FEZ	Start Sept '20 and complete Feb '21
Gas	Installed for UoL, IoT and Phase 1a	Complete
ICT	Openreach Fibre FTTC	Complete

### **South Lincolnshire FEZ Branding and Promotion**

The Visioning work mentioned above was completed by Collison and Associates Limited in February 2020 and its recommendations included the need for the FEZ to have a strong brand and for stakeholders to prioritise the identification of a suitable identity. The report included one suggestion that the scheme could be described as the "UK Food Valley" to reflect the South Lincolnshire FEZ's role and relationship with two other FEZ's being developed in Greater Lincolnshire (on the south bank of the Humber and at Hemswell Cliff) and similar schemes in East Anglia. Looked at as a whole, the South Lincolnshire FEZ sits at the centre of these schemes.

Perhaps a way to rationalise this with the existing 'Food Enterprise Zone' brand, which is strong and established (there are three in Greater Lincolnshire and others elsewhere) is to see the South Lincolnshire FEZ sitting centrally within the "UK's Food Valley", and straddling three LEP areas, which is potentially an exceptionally strong marketing statement in the context of the food industry in the east / east midlands as a whole.

### **Financial Implications**

Since the inception of the scheme, the Council's preferred approach has been to prioritise the provision of services to Phase I in order 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.

The scheme has just, in August 2020, been awarded further public sector funding from the Getting Building Fund administered by the GLLEP. This funding has been allocated towards further development on Phase I of the FEZ comprising the construction of an additional 220 metres of site service road to access the remaining eight development plots and also the construction of a new Hub building on plot 12.

## **Next Steps**

Following the recent award of Getting Building Funding, LCC and the other stakeholders in the project can press ahead with the next stage of delivery including:

### Extension of Site Service Road.

In order to access all the development plots on the remainder of Phase I, an additional 220 m of service road is to be constructed. This is referred to as Phase 1B of the site service road. Phase 1A of the road was formally completed in July 2020.

Construction of Phase 1A was hampered by difficult ground conditions caused by an exceptional amount of rainfall throughout the build programme which increased costs and extended the timetable for completion. The scheme was also delayed as a result of the Covid-19 pandemic lockdown. The construction of Phase 1B will extend to the western boundary of the site effectively providing access to the remaining eight plots on Phase I. LCC expects to take advantage of economies of scale by reappointing the contractor responsible for the construction of 1A.

Work is being programmed to begin in September 2020 and the build period is expected to be circa six months.

### Cluster Hub Building.

Wide ranging consultation with industry representatives as part of the Visioning work carried out in winter 2019/20 has confirmed the need for a new "Hub" building to be constructed on Phase I of the FEZ. Plot 12 has been earmarked for the construction of the building due to the site's prominence and central location within the scheme. Ground investigation work has already been carried out on the subject site.

The Hub is likely to be operated by the public sector in order to align with the provision of other support in skills, business and innovation and because it may not be a viable stand alone scheme, especially in the initial years.

The Council is currently preparing a business model for the operation of the building in order to understand the likely revenue implications to the Council. One solution being considered is for the day to day management of the building to be undertaken by the Eventus Centre Manager as this could ameliorate the management costs. The Hub will include space for small and medium sized enterprises, business support facilities and space for networking, collaboration and potentially conference and catering facilities. The building will be instrumental in the creation of a "community" within the FEZ which was identified in the Vision for the FEZ. The Hub will be built to a high design and energy efficiency standard as we recognise that the building will set the design standard expected for future development on the FEZ.

Our indicative programme shows work on site starting in March/April 2021 with completion of the scheme in March 2022. It is expected that the design and construction of the Hub will be done in such a way to allow for later extension and addition to the building as the FEZ grows and the need for additional support space and ancillary accommodation increases.

## **2. Conclusion**

There is a clear need for public sector involvement in the delivery of the South Lincolnshire FEZ in order to bring the scheme forward as soon as possible. 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.

These objectives are particularly important as the UK economy recovers from the impact of the coronavirus pandemic and prepares for Brexit.

The delivery of Phase I of the FEZ is a key priority for LCC and public sector investment in the provision of site enabling infrastructure for utilities and access arrangements will bring about further positive outcomes in addition to securing the construction of the University of Lincoln's Food Centre of Excellence and the provision of services to Phase I which are already major achievements of the scheme.

These wider economic benefits include new job creation, economic growth and enhanced prestige for south Lincolnshire as a centre for innovation and the development of cutting edge technology in the agri-food sector.

The ability of the Council to forward fund the project and seek to recover a proportion of its investment from capital receipts following the disposal 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 will create 11 development plots as well as the construction of 1,422 sq m Hub building.
- Employment Growth - Phase I will safeguard and create new, skilled jobs for the local workforce.
- Strategic fit with the University of Lincoln's Centre of Excellence.
- 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 has already enabled the UoL to secure public sector funding for the construction of the Food Centre of Excellence. This is in addition to the Growth Deal Round 3 monies awarded to LCC for the provision of Phase I infrastructure. More recently, the scheme has also attracted Getting Building funding via the LEP.
- 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 and Local Industrial Strategy, including the need to drive the growth of the agri-food and manufacturing sectors.

### 3. Consultation

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

No

#### b) Risks and Impact Analysis

See the body of the Report

### 4. Appendices

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

### 5. 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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