

Open Report on behalf of Andy Gutherson, Executive Director - Place

Report to:	Councillor M J Hill OBE, Leader of the Council and Executive Councillor for Resources, Communications and Commissioning
Date:	Councillor C J Davie, Executive Councillor for Economic Development, Environment and Planning
Subject:	15 - 23 July 2021
Decision Reference:	Construction of the Hub Building, South Lincolnshire Food Enterprise Zone
Key decision?	I022403
	Yes

Summary:

The purpose of this report is to seek formal approval for the construction of a managed workspace building (the Hub) on the Council owned Plot 12 of the South Lincolnshire Food Enterprise Zone in order to provide a range of business space for new and small agri-tech businesses, and approval for the scheme appraisal for the construction.

Recommendation(s):

1. That the Executive Councillor for Economic Development, Environment and Planning approves the further development of the South Lincolnshire Food Enterprise Zone through the construction and management by the Council of a managed workspace building (the Hub Building) on the Council owned Plot 12.
2. That the Leader of the Council
 - a. approves the capital business scheme appraisal for the construction of the Hub Building; and
 - b. approves the entering into of a contract for the main construction works.

Alternatives Considered:

Do not construct the Hub Building - The Council's involvement would continue to be

restricted to servicing the land and selling it on. However, the future success of the SLFEZ would be at risk as a result of a lack of managed work space and support services to encourage business growth and innovation.

Reasons for Recommendation:

The construction and operation of the Hub building will provide a mixture of small workshop, office and collaboration space designed to encourage and support new and small enterprises in the Agri-tech sector. The building will be strategically important to ensure the future success of the South Lincolnshire Food Enterprise Zone by providing this space and becoming a focal point for all the occupiers and visitors to the Food Enterprise Zone.

1. Background

Context

Approval for the development of the South Lincolnshire Food Enterprise Zone (SLFEZ) was given by the Executive on 7 February 2017

At that time the proposal for Phase I of the SLFEZ was for LCC with support from the Greater Lincolnshire Local Enterprise Partnership (GLLEP) to deliver estate service roads which would provide access to 12 development plots and secure necessary utility infrastructure to support their subsequent development. This has been achieved.

The SLFEZ will offer a high quality business environment to support the continued growth of the agri-tech sector in south Lincolnshire. The scheme already includes the University of Lincoln's Food Centre of Excellence building, and there is a high level of interest in the development plots on Phase I that have been created as a result of the Council's enabling infrastructure works including highway improvements on the A17 and A151, provision of services and construction of estate roads.

The Hub building

To move to the next step in the delivery of the SLFEZ requires going beyond the servicing work and site sales approach previously approved for Phase 1.

Wide ranging consultation with industry representatives as part of the SLFEZ Visioning work carried out in 2019/20 identified strong demand and a strategic need for a "Hub" building to be constructed on Phase I of the SLFEZ which will provide high quality business and collaboration space for small and start-up businesses working in the food supply chain and related sectors..

The SLFEZ will create business growth opportunities for the agri-food sector and its associated supply chain of businesses located in South Holland and the wider region. Within this scheme, the construction of the Hub building will help to unlock large scale economic growth in the rural area of Holbeach and across south east Lincolnshire by providing new, purpose built office and workshop space for new, start-up, businesses and

small enterprises, creating a suitable environment for these businesses to become established.

Plot 12 has been chosen for the construction of the building due to the site's prominence and central location within the wider scheme (including the 11.39 hectare phase II). This site is owned by LCC and planning consent for the construction of the building was obtained in February 2021.

The Hub will provide a mix of office and workshop space available to lease on market terms and be operated by the County Council. Its operation, and the services provided from the building, will align with the provision of other support to new businesses the Council offers in skills, business growth and innovation. The operation of the Hub will follow a similar model to other successful managed work spaces operated by the Council such as the Eventus Business Centre in Market Deeping and it is expected that there will be economies of scale as result of sharing management and support arrangements.

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 SLFEZ and will be built to a high design and energy efficiency standard as it is important that the building will set the design standard expected for future development on the SLFEZ.

The Business Case for the Hub is attached at Appendix A.

More detail of the hub building is attached in Appendices B, C and D.

Status

Initial site enabling works started in April 2021 but approval is awaited to enter into the main works contract. Completion of the scheme is expected in March 2022. Ground investigation work was previously carried out on the subject site and no significantly adverse findings were identified. The design and construction of the Hub is being undertaken in such a way to allow for later extension and addition to the building as the SLFEZ grows and the need for additional support space and ancillary accommodation increases.

Finance

£5.174million has been identified for the construction of a 1,422 sq. m Hub building following the success of a recent "Getting Building Fund" bid which awarded £6.368million to the Council for SLFEZ development. This will meet the full capital cost of constructing the Hub building and the Council will not be required to make a capital contribution to this aspect of the project.

The mix of office space and workshops will be let at market rents and on "easy in, easy out" lease terms, in line with the Council's other managed workspaces, and therefore there will be no subsidy control (formerly 'State Aid') implications. Day to day

management of the building will be undertaken by a shared Business Centre Manager as this will ameliorate management costs.

Further details of the operating costs and income projections are contained in the Business Case at Appendix A.

Strategic fit

The draft Greater Lincolnshire Local Enterprise Partnership (GLLEP) Local Industrial Strategy (LIS) produced in November 2019 recognises that the further growth of the agri-food sector from its already strong base is a major opportunity for Greater Lincolnshire. The SLFEZ will play a major role to develop more efficient food production methods that will serve a growing global population. The Hub building will meet the objectives of the five pillars of productivity (Ideas, People, Infrastructure, Business Environment and Place) identified in the draft strategy by creating high quality business space and ancillary facilities suitable for new and small companies. The scheme will:

- focus on innovation in the food supply chain and associated sectors
- create space for a high degree of collaboration and sharing of ideas etc.
- address the skills agenda by providing an increased number and wider range of high skilled jobs
- provide training and up skilling opportunities for the local population
- complement related activity on two other similar schemes in Greater Lincolnshire; North East Lincolnshire FEZ and Central Lincolnshire FEZ.

The Hub has a range of target beneficiaries including "start-up" businesses and small to medium sized enterprises. On adjacent sites within the SLFEZ the private sector delivery of additional larger units for growing businesses to relocate will be facilitated, thus creating a clear pathway for new and growing businesses to establish themselves, provide important employment opportunities, especially for higher skilled jobs, and facilitate the exchange of ideas and cutting edge technologies for the food manufacturing sector.

Justification

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 serve the SLFEZ site have had an adverse impact on the viability of developing the land. Private sector developers also continue to face difficulties in securing development finance to fund schemes following the economic downturn, which continues to have a significant negative impact on investor confidence in all but the strongest locations or sectors.

As a result, public sector investment is required to "pump prime" the scheme by providing start up space and enabling infrastructure in order to ensure the long term success of the SLFEZ.

Market uncertainty and the reluctance of the private sector to undertake speculative development schemes is also severely impacted by uncertainty following the

implementation of Brexit and also following the impact of the coronavirus on the global economy.

As a result of all these factors, the private sector would be reluctant to bring forward development of the Hub building. However, public sector intervention can show that occupier demand for small, "start-up" commercial facilities does exist and with some initial "pump priming" the private sector will have the confidence to proceed with subsequent phases of the scheme. With this investment, the SLFEZ will be well positioned once the economy is in recovery.

Options analysis

The following options have also been considered and discounted:

- Do nothing (business as usual) – Should the public sector decide to no longer lead the development of the SLFEZ it is expected that the scheme would in effect be "moth balled" and no development activity would be possible as the scheme is not considered viable without major public sector investment. The impact of Brexit and the coronavirus pandemic further strengthens opinion that the scheme would not progress if left to the private sector to develop unaided.
- Do minimum – without additional funding stakeholders would be able to carry out only a limited range of mainly promotional and marketing type activities and the development of the SLFEZ would take much longer to come forward. Construction of the Hub building and land assembly would not be possible.
- Intermediate Development – It is conceivable that some, small scale, public sector funding could be made available in the medium term however this would not allow the scheme to develop at the pace needed to meet demand and unlock future job growth in the time scale desired. For example, the construction of the Hub building and land assembly would be deferred for many years.

Preferred Option – The Getting Building Fund award will allow the project to go ahead within the timeframe desired in order to bring forward commercial development on the SLFEZ. Without this funding, the cost of constructing the Hub building, land assembly and further on-site infrastructure will have a significant, negative impact on the viability of the SLFEZ and it will be unattractive to developers in the medium term.

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.

The Equality Act duty has been taken into account but there are not considered to be any adverse impacts on people with a protected characteristic. In particular the FEZ will be designed and managed in such a way that it is accessible to all regardless of protected characteristics.
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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 FEZ will contribute to the economic wellbeing of the county and provide important support to the Agri-tech industry which is a key employer within the county.

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.

The section 17 matters have been considered but there are not considered to be any implications arising out of this Report.

3. Conclusion

Public investment in the development of a Hub building at the SLFEZ will deliver high quality business and collaboration space for small and start-up businesses working in the food supply chain and related sectors.

This will provide the catalyst for the creation of a high quality business environment to support the continued growth and long-term prosperity of the agri-tech sector in south Lincolnshire by driving significant levels of private investment.

4. Legal Comments:

The Council has the power to construct and manage the Hub building as proposed in the Report.

The subsidy control implications are set out in the Report.

The decision to construct and manage the Hub building as part of the ongoing development of the SLFEZ is within the remit of the Executive Councillor for Economic Development, Environment and Planning.

The decision to approve the scheme business case and entering into of the main works agreement is within the remit of the Leader of the Council.

Both decisions are consistent with the Policy Framework.

5. Resource Comments:

As detailed in the body of the report, construction of the hub building is wholly funded from the Getting Building Funding that has been awarded to the Council. Approval of the recommendations therefore do not require any further capital investment from the Council's own resources beyond that already committed to the South Lincolnshire (Holbeach) Food Enterprise Zone scheme included in the approved Capital Programme. Draft revenue projections for the operation of the Hub show the break-even point to be where the occupancy level is around 55%, which is expected to be achieved during the second year of operation.

6. Consultation

a) Has Local Member Been Consulted?

No

b) Has Executive Councillor Been Consulted?

Yes

c) Scrutiny Comments

This report will be considered by the Environment and Economy Scrutiny Committee at its meeting on 13 July 2021 and the comments of the Committee will be reported to the decision makers

d) Risks and Impact Analysis

The provision of business and collaboration space at the South Lincolnshire Food Enterprise Zone is a vital component to the success of the scheme as it will provide facilities for new and small businesses working in the Agri-tech sector and encourage innovation and enterprise.

7. Appendices

These are listed below and attached at the back of the report	
Appendix A	Business Case
Appendix B	Site Plan
Appendix C	Artists Impression of the Hub
Appendix D	Plans showing the internal layout of the Hub

8. Background Papers

The following Background Papers within s100D of the Local Government Act 1972 were used in the preparation of the Report

Background Paper	Where it can be viewed
Report to Executive 7 February 2017 - South Lincolnshire Food Enterprise Zone and Peppermint Junction Improvements, Holbeach	Democratic Services
Executive Summary of 2020 Vision Document	Economic Infrastructure Services

This report was written by Mick King, who can be contacted on 07917 504883 or mick.king@lincolnshire.gov.uk