



PRCC.37 13/14
Prosperous Communities Committee
17 th December 2013

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Subject: Gainsborough manufacturing businesses relocation fund

Report by:

Director of Regeneration and Planning

Contact Officer:

Simon Sharp
Senior Growth Strategy & Project Officer
Telephone: 01427 676651
Email: simon.sharp@west-lindsey.gov.uk

Purpose / Summary:

The establishment of a fund of £150,000 funded from the Dragon's Den fund to provide skills, knowledge and financing resources to facilitate the viable and acceptable redevelopment of sites following the relocation of manufacturing businesses within Gainsborough.

RECOMMENDATION(S):

- 1. To approve the establishment of a fund of £150,000 funded from the Council's Dragon's Den fund to provide skills, knowledge and financing resources to facilitate the viable and acceptable redevelopment of sites following the relocation of manufacturing businesses within Gainsborough.**
- 2. To nominate and agree on one elected member (and one substitutes) to sit on a fund panel.**

NB. This will also need the approval of the Policy And Resources Committee

IMPLICATIONS

Legal: The support to SMEs is allowed under the State Aid Rules, by the General Block Exemption Regulations, in addition the amounts to be granted will not meet the de minimis level of 200,000 euros. However, as part of the application process, organisations will be required to declare any other state aid support they have received within a 3 year period.

Financial : The proposal to finance projects and grants to support local business relocation will require £150k of the Dragons Den fund to be earmarked for this purpose. **Finance ref FIN 61/14**

Staffing : It is estimated that the internal officer resource will be a maximum 1 day per week for the Project Leader

Equality and Diversity including Human Rights : Each application for a grant and any procurement for projects associated with the fund would be subject to compliance with legislation relating to equality and diversity including human rights.

Risk Assessment : A risk register is included within this report.

Climate Related Risks and Opportunities : N/A

Title and Location of any Background Papers used in the preparation of this report:

N/A

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes No

Executive Summary

Many of the larger manufacturing businesses within Gainsborough remain on older sites and this hinders them from being able to expand, reduce energy bills, win new orders and/or safeguard neighbouring residents from noise and disturbance.

An objective of the Gainsborough masterplan, recognising this issue, is to move these businesses onto planned sites and redevelop the existing sites for alternative uses in the interests of the continued regeneration of the town. The lack of a buyer and redevelopment interest for the existing sites places pressures on these businesses which could threaten their future viability to the detriment of the town's economy and community.

It is proposed that a fund be established to provide skills, knowledge and financing resources to facilitate the viable and acceptable redevelopment of sites following the relocation of manufacturing businesses within Gainsborough. The fund would be used to fund the resourcing of projects commissioned by the Council and fund small grants to businesses up to £10k

1 Background

- 1.1 From the nineteenth century to the latter half of the twentieth century, much of Gainsborough's economy was based on manufacturing industries located within the town which was largely concentrated between the River Trent and the escarpment to the east. Expansion of the town in the 1960s and 1970s saw the development of areas of housing and employment land east of the escarpment, the employment areas being purpose built industrial estates such as at Heapham Road and Corringham Road. Such developments have continued until the present day, Somerby Park being an example. However, many of the larger businesses remain on older sites and, in 2007 this issue was highlighted by Gainsborough Regained – The Masterplan. An objective of this plan is to move these businesses onto planned sites and redevelop the existing sites for alternative uses in the interests of the continued regeneration of the town.
- 1.2 Earlier this year the Council's growth team embarked on the Seeing is Believing project to gain a better understanding of key businesses within the district, the issues that they face and their plans for the future. The project included meetings with manufacturing companies in Gainsborough such as Eminox and AMP who occupy the older sites referred to above. Each of these companies employ in excess of 100 employees and operate within the global marketplace with orders received from Europe, Asia and North America from international brands. They also have R & D facilities based in their premises.
- 1.3 The Seeing is Believing meetings consistently revealed that the continued occupation of their older premises were resulting in the following issues:-
 - Difficulties in winning new orders due to site image (older industrial buildings on cramped sites); representatives of potential customers can refrain from placing orders based on their experiences of the visit to the site rather than just the quality and price of the product produced.
 - Difficulties in winning orders due to building design and inability to respond to modern manufacturing practices; the current premises of the businesses are characterised by many smaller buildings and the internal spaces being divided by roof supporting columns. Modern buildings are generally portal framed offering much larger, column free spaces that can be easily adapted to changes to manufacturing processes.
 - Inability to expand given physical site constraints; all of the existing premises are, without exception, constrained by there being little outside space around the existing buildings (less than 500mm in some cases) and irregular shaped sites.

- Poor storage and distribution logistics due to locations on minor roads within residential areas.
- High energy consumption due to poor insulation properties of the older buildings; resulting in a need for significant electrical heating in the winter and mechanical ventilation in summer months.
- Noise and disturbance to neighbouring residents predominantly arising from HGV movements but also very occasionally from processes being carried out on the premises.

1.4 The Seeing is Believing project interviews revealed that these businesses wish to remain in Gainsborough and this is reflected in the actions by AMP Rose Limited and EminoX Limited to invest in new purpose built premises on Somerby Park and Corringham Road Industrial Estate financed through a combination of their own reserves and bank loans. EminoX relocated to their new site in July of this year leaving their existing site empty but still within their ownership whilst AMP Rose have decided to remain within their current premises until a buyer is found to finance the relocation of their machinery into the new buildings. With the relocation into the new buildings, the companies have the potential to:-

- Win new orders due to the enhanced image of their business derived from the new premises and the ability for the premises to respond to 21st processes
- Reduce their energy costs through better performing buildings (reduced energy consumption)
- Ability to expand due to larger plot sizes on dedicated industrial estate plots.
- Less amenity impact on residents due to direct access from A631 Thorndike Way or Corringham Road as well as greater distance from residential properties. This also provides the ability to carry out manufacturing processes with fewer restrictions to the benefit of their costs and also ability to respond to client demands.

1.5 The lack of a buyer and redevelopment of the existing sites for all these businesses places pressures on them. Whilst new orders and consolidation or expansion in Gainsborough cannot be guaranteed by new premises, the latter does increase the potential for these objectives to be fulfilled significantly. Furthermore, the lack of sale and redevelopment of the existing sites:-

- Is a financial liability to the businesses which constrains their ability to invest in the new site, employees and expansion.
- Affects the image and value of the areas within which the existing sites are located.

1.6 There is therefore a need to facilitate the sale and redevelopment of the existing sites. The Council is already pursuing this through providing advice as to what uses would be appropriate, in planning terms, on these sites. It also preparing an investment brochure for Gainsborough, a refreshed Masterplan and raising awareness of the sites with developers. However, more expertise and resources are required to:-

- Know what uses would be most attracted to the site commercially and how business can be resourced to overcome site problems;
- Provide a financial context to ensure delivery of developments and prevent developments from stalling.

2 Options

2.1 Several options were considered and these are summarised in the table reproduced in Appendix A

3 The proposal

3.1 Options were considered through a Project Plan considered at the Growth Board.

3.2 It is proposed that a fund be established to provide skills, knowledge and financing resources to facilitate the viable and acceptable redevelopment of sites following the relocation of manufacturing businesses within Gainsborough. The fund would be used to:-

- Fund the resourcing of projects commissioned by the Council to assist in manufacturing business relocations within the Gainsborough area within West Lindsey. This could include:-
 - a. Contracting a consultant to provide expertise on the business/development sectors that would be most attracted to these sites.
 - b. Undertaking a sub-project to investigate other funding streams that could be available to finance the redevelopment of the site (historically such streams have included Kickstart and Get Britain Building Fund).

These projects would be procured in accordance with the Council's normal procurement procedures.

- Direct small grants to businesses up to £10k to assist in relocation of manufacturing business relocations within Gainsborough area within West Lindsey. These could include:-

- a. Contracting an architect or similarly qualified professional to prepare site specific masterplans or development briefs.
- b. The preparation of site specific promotional brochures in various forms of media.

4 Strategic Case

4.1 It would contribute to West Lindsey's Corporate Plan as follows:-

Theme 2: A Green district where people want to work, live and visit, specifically :-

Priority 2.1: Businesses and communities in West Lindsey operate and develop in a sustainable and environmentally responsible manner. In brief, it would assist in companies being able to relocate to more energy efficient premises designed for C21st operation.

Theme 3: A prosperous and enterprising district specifically:-

Priority 3.1: An environment where an increased number of businesses and enterprises can grow and prosper and;
 Priority 3.2: A good range of high, medium and lower skilled jobs in the region to support a growing population in West Lindsey.

4.2 It would also respond to the Greater Lincolnshire Local Enterprise Partnership's – "Greater Lincolnshire Economy 2030 that priority sectors such as manufacturing are "vibrant and growing."

5. Financial and commercial case

5.1 Irrespective of the end use of the redeveloped sites, there are indirect financial advantages arising from the relocation from and development of existing sites, assuming that the business relocates within West Lindsey:-

- Business rates from the business retained in the district with more potential for increased business rates from business expansion.
- Spend within the district from employees retained by the business and potential for increased spend from expanded workforce.
- Spend on service economy from abovementioned employees.
- Socio-economic value derived from uplift resulting from redevelopment of sites rather than being left derelict.

5.2 There are also other financial gains which are dependent on the end use of the redeveloped site:-

- New homes bonus if dwellings were built – This is calculated annually at a moment of time based on the increase in overall occupied stock within the district. The building of new homes by no means guarantees an identical increase in the overall occupied stock within the district as not all new homes may be occupied or the chain of movements leading to the occupation of the new house may include the vacation of an occupied dwelling in the district. Nevertheless, there is a clear causal link between new homes and the new homes bonus and the Council could benefit from approximately £1,400 per unit as 80% of the bonus payment comes to the district. The redevelopment of the EminoX site could yield around £112,000 based on 100 dwellings.
- Council tax if new dwellings were built - West Lindsey District Council's share of the Council tax is around 12.5% which has a value of £190 per year for an average band D property. It is likely that dwellings on the redeveloped sites would be bands A, B or C but even 100 dwellings on the EminoX site could yield around £10,000 per annum if occupied.
- Business rates if it is commercial redevelopment of the site. For example, a 3,000 sq m (class B1) light industrial building would be estimated to have an overall rateable value of around £43,500. This would bring in around £20,100 in additional NNDR income for a full year (based on current charges) of which 40% would come directly to WLDC (£8,039).

5.3 It is acknowledged that all revenues need to be set against the cost of administering the fund.

6. Legal case

6.1 The support to SMEs is allowed under the State Aid Rules, by the General Block Exemption Regulations, in addition the amounts to be granted will not meet the de minimis level of 200,000 euros. However, as part of the application process, organisations will be required to declare any other state aid support they have received within a 3 year period.

6.2 In this context, funds, transparency and accountability are important. The fund would need to be administered by a Project Lead with the process including clear governance relating to: -

- Financial management
- Application criteria
- Decisions
- Funding terms and conditions
- Monitoring

- Benchmarking and performance
- Change management.

The proposal to finance projects and grants to support local business relocation, will require £150k of the Dragons Den fund to be earmarked for this purpose.

7. The Project outcomes

7.1 a/ That the project delivery facilitates the relocation of existing Gainsborough manufacturing businesses to sites still within or directly adjoining the town to enable these businesses to consolidate and prosper and overcome the constraints derived from the characteristics of their existing site locations and premises. Performance will be measured against the following:-

- i. Quantitative – Time taken for business to relocate (Target < 2 years).
- ii. Quantitative – For grants – empirical evidence will be required that the monies have been exhausted for the purposes that they have been applied for within the individually agreed timescale.
- iii. Qualitative – Testimony from businesses that the project directly contributed to relocation within above timescales.

b/ That the project facilitates the redevelopment of the existing sites vacated as a result of the relocations. Performance to be measured against the following:-

- i. Quantitative – Time taken for site to be redeveloped in accordance with a scheme that has been assessed as being environmentally, socially and economically sustainable and as a consequence granted detailed planning permission (target < 5 years).
- ii. Quantitative – For grants – empirical evidence will be required that the monies have been exhausted for the purposes that they have been applied for within the individually agreed timescale.
- iii. Qualitative – Testimony from businesses that the project directly contributed to relocation within above timescales.

8. Resources

- 8.1 The Growth Board has approved a fund of £150k. This will provide inclusive funding for all the matters detailed in section 3 of this Plan including any externally contracted consultants, grants and fund administration. However, it does not include internal officer resource which is estimated to be 1 day per week for the Project Leader (currently Simon Sharp, Senior Policy and Projects Officer) and any other internal staff resource which may be called upon to assist in delivering sub-projects. Such staff resourcing is likely to be derived from other team members of the Growth and Projects team within the Strategic Growth Service.

9. Project Management structure and Stakeholders

- 9.1 It is proposed that Prosperous Communities and Policy & Resources Committee nominate and agree one elected member each (with substitutes) to sit on a fund panel with the project lead to assess applications for grants against the following criteria:-

- Does it meet corporate plan priorities detailed in this report?
- What is the potential for income derived from the resultant redevelopment of the site – NNDRs, New Homes Bonus, planning app fees, Council Tax.
- Has match funding been sought and/or awarded.

A balanced scorecard will be structured to provide weighting of these criteria and a standard application form agreed. Only businesses within the parish of Gainsborough who wish to relocate within the parish or Morton, Lea, Thonock and Corringham parishes will be eligible.

- 9.2 Contracts for the sub-projects will be procured through the normal procurement process with tenders assessed by the fund panel based on the contract brief.
- 9.3 The stakeholders can be summarised as follows:-

Group/position	Name	Responsibility	Reporting to	Membership
Project Sponsor	Grant Lockett			Growth Board
Project Leader	Simon Sharp	Project management including management of approved fund. Membership of fund panel	Growth Board	Growth Board
Fund panel	TBC by Prosperous	Assessment and		

	Communities and P & R Committee	awarding of grants		
Financial	Tracey Bircumshaw			
External stakeholders	Key manufacturing businesses in Gainsborough		Project Leader	

10. Project milestones

Task	Start	End
Internal Scoping and Business Case approval	Apr 13	July 13
Project Plan completed	August 13	Sept 13
Growth Board approval of Project Plan	19 th Sept 2013	19 th Sept 2013
CMT	6 th Nov 2013	6 th Nov 2013
Leader's panel	19 th Nov 2013	19 th Nov 2013
Prosperous Communities Committee	17 th Dec 2013	17 th Dec 2013
Policy & Resources Committee	16 th Jan 2014	16 th Jan 2014
Fund panel established	1 st Feb 2014	28 th Feb 2014
Fund publicity	March 2014	March 2014
Approval of loans, grants and sub-projects	April 2014	Sept 2018
Project close		Sept 2018

11. Project dependencies

Milestone	Dependency
Project Plan completed	<ol style="list-style-type: none">1. Business case approval2. Project leader appointed
Fund launch and publicity	<ol style="list-style-type: none">1. Project Plan completed.2. CMT Approval3. Prosperous Communities Committee approval4. Policy & Resources Committee approval.5. Fund panel appointments agreed by Prosperous and P & R Committees
Issuing of grants and loans	<ol style="list-style-type: none">1. Fund launch and publicity2. Applications received in accordance with agreed process.3. Approval of individual applications by Growth Board.
Project Close	<ol style="list-style-type: none">1. Total fund spent through grants and sub-projects2. Monitoring of business relocations and site redevelopments (to Sept 2018)

12 Project change and performance management

Performance management against the agreed outcomes will require regular monitoring. It is suggested that the Project Leader provides a monitoring report to the Growth Board and quarterly to the Policy And Resources Committee providing updates against the indicators detailed in section 5 of this Plan. Specifically, this will include:-

- a) Date when a business began relocation
- b) Date when a business completed relocation.
- c) Details of sub-project and date when launched.
- d) Details of amount of an individual grant and when issued.
- e) Details of grant spend.
- f) Details and date of sub-project completion
- g) Qualitative reports for each sub-project including quantitative data on issues such as web-site interest, brochures printed and issued, enquiries received relating to site specific masterplan or site development brief.
- h) Date when a site redevelopment commences
- i) Date when a site redevelopment is completed.

j) Qualitative report summarizing feedback from businesses in response to feedback following:-

- (i) Issuing and spending of grants.
 - (ii) Impact of sub-projects.
- k) Project closure report.

13. Risk Register

Risk Category	Risk Name	Risk Number	Prob (1-3)	Impact (1-3)	Risk Score	Mitigation	Contingency	Action By	Action When
Financial resource	No interest in loans or grants	1.1.	1	2	2	Additional publicity	Greater emphasis on Council contracted sub-projects to deliver project.	Project Leader	Spring 2014
Financial Resource	Loans not repayed	1.2.	1	2	2	Renegotiate repayment amounts/loan period (must be by Sept 2018).	Write off loan	Project Leader	Monthly review – Dec 2013 to Sept 2018
Business	Existing business does not relocate	2.1.	2	3	6	Seeing is Believing update to explore issues for not relocating. Apportion larger percentage of funding towards affected business (targeted based on qualitative feedback).	1.Reassessment of project applicability to address the issues encountered by this business – Draft bespoke new project 2.Additional funding	Project Leader with Growth Board approval Growth Board approval	Oct 13
Business	Existing site is not redeveloped	2.2.	2	3	6	Apportion larger percentage of funding towards affected site targeted based on qualitative feedback).	1.Reassessment of project applicability to address the issues encountered by this business – Draft bespoke new project 2.Additional funding	Project Leader with appointed Consultant Architect	As per plan

Appendix A Options

Option	Strengths	Weaknesses	Opportunities	Threats
A Do nothing	<p>Financially cost effective to Council in short term.</p> <p>No risk derived from ownership liabilities.</p>	<p>No revenues derived from site redevelopment.</p> <p>Businesses fail due to a lack of Council support.</p>	<p>Council resources could be directed to other existing or new projects that meet corporate growth objectives.</p>	<p>Sites are not redeveloped and businesses fail due to financial liabilities of retaining ownership.</p> <p>Reduced business rates (business failure or relocation out of district).</p> <p>Increase in unemployment, benefits needs etc.</p>
B Buy the land	<p>Council receives possible revenue from sale of site in addition to Council, Tax, New Home Bonus and Business Rates.</p>	<p>Cost of acquisition would be prohibitive – over £1m for each site.</p> <p>Sites are in areas where redevelopment viability is marginal due to depressed local market conditions. Marginal viability is also threatened by known abnormalities such as previously developed land and flood risk mitigation.</p>	<p>Council could shape redevelopment of these sites.</p> <p>Uplift in value of land over a long period has historically been above inflation.</p> <p>Council owns adjoining land on EminoX site and redevelopment of whole could yield a more comprehensive redevelopment of both sites and attract developers that would otherwise not be interested if the sites were being redeveloped independently.</p>	<p>Redevelopment of sites is not guaranteed and Council would be liable for all costs of maintaining vacant land – a liability not an investment.</p> <p>Businesses may relocate out of Gainsborough/WLDC</p>
C Loan to businesses ring fenced to facilitate their relocation and redevelopment of existing site	<p>Income derived from interest from loan.</p> <p>It can respond to evidence and consultation.</p>	<p>Difficult in coordinating approach to the issue as a whole; individual loans will be for individual business issues rather than being able to commission a piece of work or an action that addresses the matter in a more comprehensive fashion such as the Council being able to gain intelligence as to which sectors are interested in investing in the town.</p>	<p>The loan fund could be self-financing, the interest covering the administrative costs and extended to include other manufacturing businesses within the town which need financial support to consolidate their position and expand.</p>	<p>Cost of administration could exceed interest revenues.</p> <p>Businesses could default on their loans.</p>
D A WLDC administered fund.	<p>Funding can result in comprehensive intelligence base being formulated..</p>	<p>No revenues gained from interest in the same way as a loan or from uplift in value of land.</p>	<p>Fund could be used to provide loans as per option C but also have the flexibility of funding other projects.</p>	<p>Issues about allocation of funding to some projects and not others could result in poor publicity and challenges</p>