Scheme Summary

Name of Scheme:	**Enterprise Zone: Gain Lane**
PMO Scheme Code:	GD-PA4-021c
Lead Organisation:	Private Sector Developer
Senior Responsible Officer:	Kate Thompson - Head of Implementation, West Yorkshire Combined Authority
Case Officer:	Asif Abed

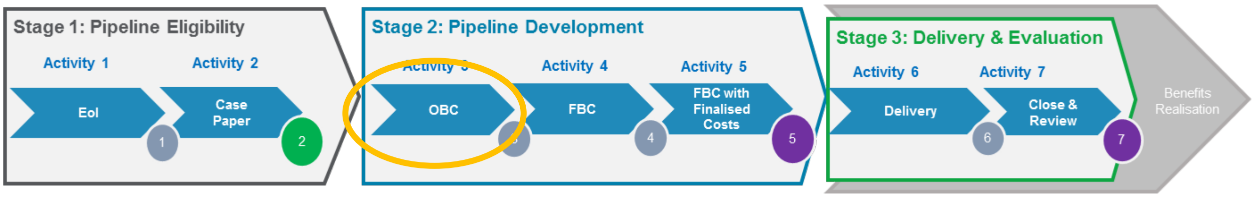
Applicable Funding Stream(s) – Grant or Loan:	Grant - Enterprise Zone Programme
Growth Fund Priority Area (if applicable):	Priority Area 4 - Infrastructure for Growth

Approvals to Date:	Approvals to date have been at EZ Programme level only. **Decision Point 2 Case Paper** • Combined Authority Board 14 December 2017 • Indicative EZ Programme approval of £20 million from the Local Growth Fund, with approval of £302,000 of development costs. **Call For Projects Decision Point 2 Case Paper** • Combined Authority Board 28 June 2018 • Indicative approval of a further £24.939 million through over programming against the Local Growth Fund, with approval of a further £1.541m of development costs. Given the above the EZ Programme to date has secured indicative approval of £44.939 million from the Local Growth Fund, with approval of £1.923 million development costs. The scheme secured endorsement from the LEP Board on 26 March 2019 for the Combined Authority to consider the need for grant payments to private sector organisations in order to ensure delivery is realised on some of the EZ sites. This endorsement is conditional on the need for all requests for funding to capture sufficient and robust clauses within the Funding Agreement to protect the public sector position.
Forecasted Full Approval Date (Decision Point 5):	September 2019
Forecasted Completion Date (Decision Point 6):	March 2025

Total Scheme Cost (£):	CA funding plus substantial private sector investment
Combined Authority Funding (£):	Up to £9.877 million - Growth Deal
Total other public sector investment (£):	£0
Total other private sector investment (£):	Substantial private sector investment

Is this a standalone Project?	Yes
Is this a Programme?	No
Is this Project part of an agreed Programme?	Yes - Enterprise Zone

Current Assurance Process Activity:



Scheme Description:

The scheme is an economic regeneration project, part of the Leeds City Region Enterprise Zone Programme, funded through the Local Growth Deal fund.

The project will provide infrastructure and services to the Gain Lane enterprise zone site located on the border between Bradford and Leeds.

The gross site area is 12.77 hectares, which includes the area on which the new access road will be built.

Whilst the public money requested to support development of the site will not result in a public asset, but a private one, it is anticipated that the site will accommodate 29,404m^2 of industrial space when fully developed, with 8 commercial units on site. These units will be capable of accommodating 550 jobs, generating £11,000 GVA annually, and business rate income of £900,000 per annum. The value to the region of investing in the site is therefore in respect of jobs and GVA.

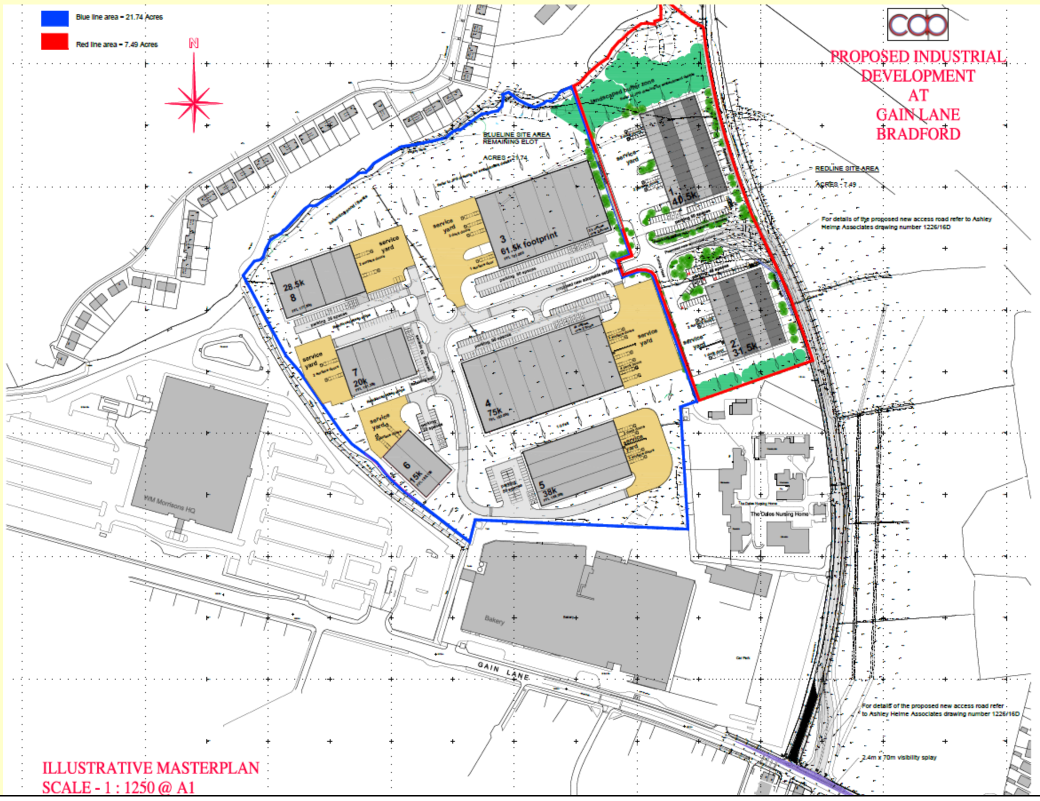
The infrastructure works necessary to enable the site to be developed are extensive as the site requires a new access road and the steep slope of the ground necessitates cut and fill to form level areas on which units will be built.

In addition, this scheme requires bringing new services to the site and diverting some existing services to accommodate the new access road. The new services include electricity, gas, water and telecommunications.

It is anticipated that the site would be completely serviced by March 2021, and completely built out by March 2025.

The delivery programme aim is to begin speculative building in March 2020, as the first phase of infrastructure would enable units to be built ahead of completion of site-wide infrastructure by March 2025.

The Combined Authority funding will back the provision of infrastructure for the site. The developer will fund site purchase, unit construction, marketing and letting costs, and project management of scheme delivery under this proposal.



Business Case Summary:	
Strategic Case	At national level, the scheme supports delivery of the UK's Industrial Strategy, published in November 2017. It sets out the Government's vision and long-term plan for boosting productivity and earning power throughout the UK. On a regional scale, Enterprise Zones (EZs) are a key part of central Government's national agenda to devolve responsibility for growth and incentivise additional economic development. The Leeds City Region EZ Programme supports the Leeds City Region Strategic Economic Plan (SEP) vision and the principle of 'good growth' by supporting innovation and the delivery of high quality employment space in advanced and innovative manufacturing and complementary sectors.

	The Gain Lane site is part of the M62 Enterprise Zone, which covers sites in Bradford, Calderdale, Kirklees and Wakefield. A total of ten sites have been identified across these four West Yorkshire Council areas along the M62 corridor, and of these ten sites, three are in the Bradford District. The M62 EZ area complements development of Leeds City Region's first Enterprise Zone in East Leeds which is now well underway. The development of Gain Lane will contribute to the M62 EZ scheme objectives, namely: • Objective 1: deliver an increase of 230 hectares of employment land • Objective 2: deliver an increase of 750,000 m^2 of employment floor space • Objective 3: deliver an increase of 15,000 jobs • Objective 4: deliver and increase of £5 billion GVA Bradford has a severe shortage of employment land. This is largely due to topography and previous land uses which, while being very productive were based on vertical manufacturing in multi storey properties on small plots and not the modern system of single story production on larger plots. The city has the youngest population in the UK and as a result, a large number of the population enter the world of work every year. Without opportunities for business to be created and expand, Bradford will be unable to meet ambitious targets of raising GVA by £4bn by getting 20,000 more people into work.
Commercial Case	Gain Lane has been identified by the Combined Authority to be an integral component of its phase 2 Enterprise Zone. This decision was based on research conducted on behalf of the Combined Authority by Cushman and Wakefield in 2016 (Leeds City Region Enterprise Zones Feasibility and Investment Framework). Having been included in the Enterprise Zone programme, a market review was commissioned, undertaken by Carter Towler in conjunction with JLL, joint agents for the site - which identifies demand for this location and also the size of unit most appropriate for potential occupants. Based on the two market reports, the development strategy is to provide infrastructure to the whole site and build out the units over a period of time, as Cushman and Wakefield recommended. Regarding local employment and apprenticeship opportunities, subcontractors will be encouraged to employ locally where possible, and believe this generally happens as it is more cost effective for subcontractors to use local labour. Opportunities to establish more apprenticeships will be discussed with the subcontractors. This approach would consider guidance and similar routes taken by teams within Economic Services to ensure conditions for Inclusive Growth strategies are captured. On a typical industrial building project there will be up to 50 separate subcontractors employed at various times throughout the project. Orders

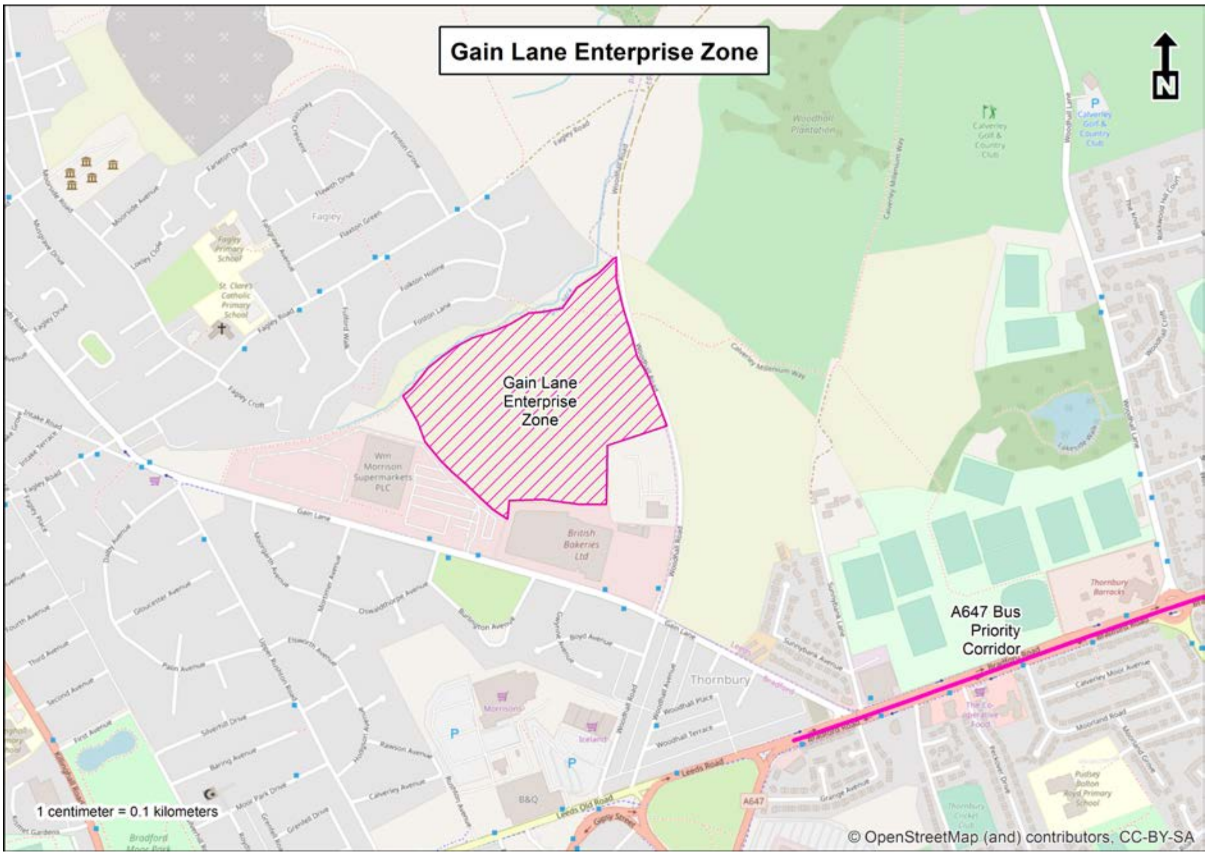
	are usually placed on the basis of the JCT Standard Form of Subcontract relative to the main contract. Outline planning has been approved with conditions attached by Bradford Council planning authority for the site area within the Bradford boundary. A separate application has been made for the access road for approval by Leeds Council, as the required land sits in the Leeds boundary. State Aid advice has been provided from DWF who advise the funding is likely to be State Aid compliant against GBER Article 56 Investment Aid for Local Infrastructures, and Article 14 Regional Aid for Investment.
Economic Case	Given the nature of the project and the time limited opportunity of public sector funding to bridge the viability gap, the options are focused on timescale of delivery, and how much infrastructure can be provided by March 2021. Only two realistic options have been considered: 1. either deliver the infrastructure to the whole site by March 2021, with a funding agreement in place to bridge the viability gap in total 2. or do not proceed with any of the infrastructure until such time as a major inward investor of sufficient size is attracted to the location, which might enable progress if the deal were commercially acceptable. The former option is the preferred scheme, and the latter is the do nothing/minimum project. The options have been appraised in alignment with the MHCLG guidance in relation to employment generated - by assessing: deliverability, funding capacity, timescale, impact, value for money and realism. Regarding monetised benefits, it has been assumed that all jobs accommodated will be additional to those already located in the sub-region and therefore there will be no displacement. This is based on the market supply and demand information, which indicates a lack of premises in the region. If the site were to attract an occupant already located in the region, it would be for expansion purposes and their current operation would be retained. As the project would not proceed without the subsidy requested, then dead weight is also zero, as there would be no additional jobs accommodated without the grant. Regarding leakage, the gross value added has been calculated on the basis of income derived from employment rather than the production-based approach. While this may produce a smaller gross value added number, it is believed this more accurately reflects the benefit that is retained within the region. Through an option appraisal, the preferred option is to deliver all on and off site infrastructure and services by March 2021. This options generates a BCR of 8.58:1 with a net GVA of £31.39, against a Combined Authority investment of up to £9.877 million.

Financial Case	The grant sought is to cover Enabling Works at a cost of up to £9.877m. 5% contingency has been allocated to infrastructure costs. Any cost overruns will be covered by the developer and/or within the contracts of appointed subcontractors. No additional grant than sought in this business case will be requested from the Combined Authority. Financial risks such as higher infrastructure costs than anticipated have been considered, with inclusion of the aforementioned 5% contingency. The cash flow funding profile is in line with the anticipated delivery programme, with Combined Authority funding of up to £9.877 million to be used across 19/20 and 20/21 – up to £4.94m and £4.937 million respectively. The developer will provide substantial private sector investment. The Public sector grant will not result in a public asset but allow for the wider benefits of jobs and GVA o be realised along with the delivery of commercial floorspace. Alternative options and delivery scenarios were considered for the Gain Lane site, yet, in reflection of the identified site challenges there remains a considerable risk to the LCR EZ Programme, that without the ability to grant fund project viability gaps as per the request under this outline business case, delivery will not be achieved. An external independent assessment of the development appraisal and cost plan of the Gain Lane scheme has concluded that the majority of the assumptions are reasonable and the level of grant request is justified, albeit further due diligence will be undertaken to determine the actual level of grant applicable, i.e. the level of grant finally determined may be lower than that applied for and will be negotiated as the minimum level required for the development to proceed following further due diligence. As part of the ongoing discussions with the developer, to ensure adequate security arrangements to protect public sector investments, the structure of the Funding Agreement will capture robust and reflective overage clauses to ensure the public sector investment is considered alongside that of the private sector should any future profits be higher or costs incurred be lower than originally envisaged; i.e. Both funding parties would benefit in proportion to their original investment. In addition to overage clauses, the Funding Agreement will ensure there are mechanisms for clawback linked to performance of delivery against agreed milestones.
Management Case	Delivering projects of this nature is the mainstream business of the developer. The organisation is set up to build speculative and bespoke units throughout the North and Midlands regions of England, with a particular focus on West Yorkshire where the company is based. The key people from the developer who have been responsible for the successful delivery of projects will be assigned to this scheme. Project governance will be provided as per the following: • An EZ Programme Board has been established to provide strategic direction and decision-making at a programme level.

	• An EZ Project Board has been established to provide a forum for open, supportive discussions with the partner councils (for Gain Lane, both Bradford and Leeds Local Authorities are represented • Going forward into the delivery phase, the Combined Authority will implement 6-weekly project focus meetings with the developer. This requirement will be captured in the Funding Agreement and will incorporate colleagues from Bradford Council. This meeting will focus on activities and work streams completed in the previous period, costs incurred, planned work packages and risks and issues. In terms of day-to-day management, the Combined Authority and the LEP have established a dedicated team within the Delivery Directorate's Implementation team to manage the wider EZ programme. **Key milestones:** **Sep 2019 - Combined Authority Grant Approval (FBC+)** **May 2020 - Complete Access Road** **July 2020 - Complete Infrastructure** **March 2021 - Complete Two Speculative Units** **March 2025 - Complete Remaining Units** Through an early stage Risk Register, several key risks with mitigation measures have been developed. The approach to Monitoring & Evaluation (and reporting of benefits) is to be developed as part of the wider EZ Programme.

Location map:

The following location map shows the scheme in relation to the other Combined Authority funded schemes in the surrounding area.



Please note, depending on the level of scheme development the location and scope of the schemes indicated here are indicative only.

For further information on Combined Authority schemes across the Leeds City Region please refer to: https://www.westyorks-ca.gov.uk/economy/leeds-city-region-infrastructure-map/