

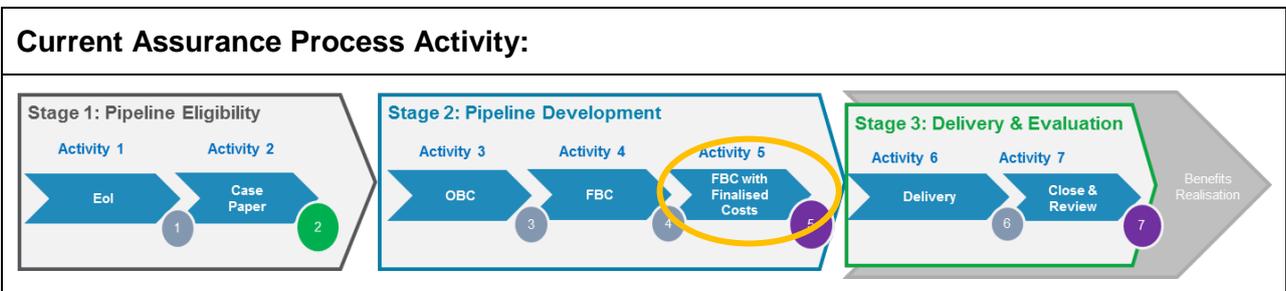
Section A: Scheme Summary

Name of scheme:	Enterprise Zone: Gain Lane
PMO scheme code:	GD-PA4-021-c
Lead organisation:	Marshall Construction (West Yorkshire) Limited
Senior responsible officer:	Kate Thompson - Head of Implementation, Combined Authority
Lead promoter contact:	Chris Marshall, Chairman Marshall Construction
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:	<p>Decision Point 2 Case Paper (Programme)</p> <ul style="list-style-type: none"> Investment Committee 9 November 2017 Combined Authority Board 14 December 2017 <p>Indicative Enterprise Zone Programme approval of £20 million from the Local Growth Fund, with approval of £302,000 of development costs.</p> <p>Call for Projects Case Paper (Programme)</p> <ul style="list-style-type: none"> PAT 2 May 2018 Investment Committee 5 June 2018 Combined Authority Board 28 June 2018 <p>Indicative approval of a further £24.939 million through over programming against the Local Growth Fund, with approval of a further £1.541 million of development costs.</p> <p>The Enterprise Zone Programme to date has secured indicative approval of £44.939 million from the Local Growth Fund, with approval of £1.923 million development costs.</p> <p>Decision Point 3 Outline Business Case (Gain Lane)</p> <ul style="list-style-type: none"> PAT 28 November 2018 Investment Committee 11 June 2019 Combined Authority Board 27 June 2019 <p>LEP Board 26th March 2019 (Programme)</p> <p>Following PAT of November 2018, the scheme secured endorsement for the Combined Authority to consider the need for grant payments to private sector organisations to ensure some of the Enterprise Zone sites are delivered. This endorsement is conditional on the need for all requests for public sector funding</p>

	to capture sufficient, robust clauses within the funding agreement which protect the public sector investment.
Forecasted full approval date (decision point 5):	3 September 2019 – Investment Committee
Forecasted completion date (decision point 6):	March 2025

Total scheme cost (£):	Combined Authority funding plus substantial private sector investment
Combined Authority funding (£):	£9.877 million - Growth Deal
Total other public sector investment (£):	£0
Total other private sector investment (£):	Substantial private sector investment (see confidential appendix to this scheme item)

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



Scheme Description:

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

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.

It is anticipated that the site will accommodate 29,404m² of industrial space when fully developed across eight commercial units. These units will be capable of accommodating 550 jobs, generating additional GVA, and business rate income of £900,000 per annum.

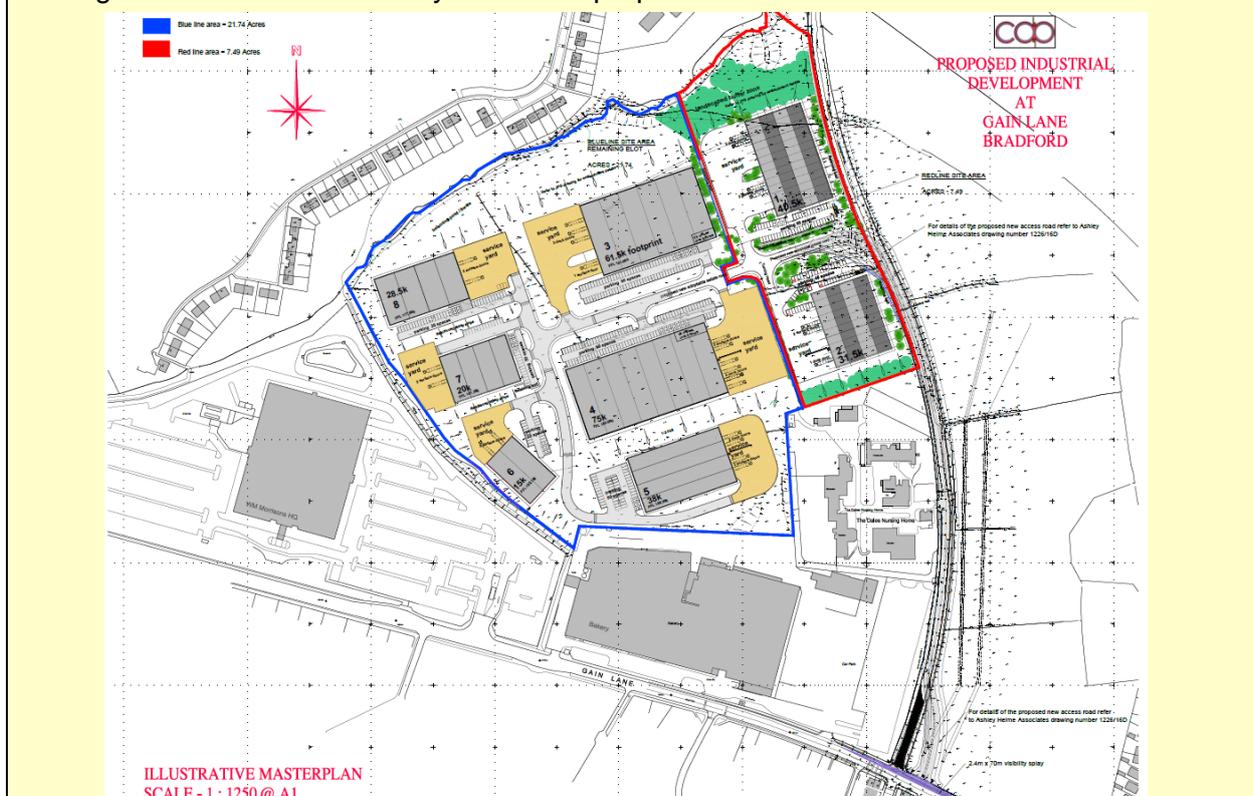
The infrastructure works necessary to enable the site to be developed are extensive as the site requires a new access road and the steep slope of the ground needs work to form level areas on which units will be built.

In addition, the scheme requires bringing new services to the site and divert 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 serviced by March 2021, and 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 fund the provision of infrastructure for the site. Marshall Construction 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 the delivery of the UK's Industrial Strategy, published in November 2017. It sets out Government's vision and long term plan for boosting productivity and earning power throughout the UK.

On a regional scale, Enterprise Zones are a key part of the Government's national agenda to devolve responsibility for growth and incentivise additional economic development.

The Leeds City Region Enterprise Zone Programme supports the Leeds City Region Strategic Economic Plan (SEP) vision and the principle of

	<p>'good growth' by supporting innovation and the delivery of high quality employment space in advanced manufacturing and related sectors.</p> <p>The Gain Lane site is part of the M62 Enterprise Zone which covers sites in Wakefield, Bradford, Kirklees and Calderdale. A total of ten sites have been identified across these four areas along the M62 corridor. Of these ten sites, three are in Bradford. The M62 Enterprise Zone area complements development of Leeds City Region's first Enterprise Zone in East Leeds which is now well underway.</p> <p>The development of Gain Lane will contribute to the M62 Enterprise Zone scheme objectives, namely:</p> <ul style="list-style-type: none"> • Objective 1: deliver an increase of 230 hectares of employment land • Objective 2: deliver an increase of 750,000 sq m of employment floor space • Objective 3: deliver an increase of 15,000 jobs • Objective 4: deliver an increase of £5 billion GVA <p>Bradford has a severe shortage of employment land largely due to topography and previous land uses which, whilst being very productive were based on manufacturing in multi-storey properties on small plots rather than the modern system of single-story production on larger plots.</p> <p>The city has the youngest population in the UK and, as a result, a large number of people enter the world of work every year. Without opportunities for businesses to be created and expand, Bradford will be unable to meet ambitious targets of raising GVA by getting 20,000 more people into work.</p>
<p>Commercial Case</p>	<p>Gain Lane has been identified by the Combined Authority to be an integral component of phase two of the Enterprise Zone programme. This decision was based on research conducted on behalf of the Combined Authority in 2016 (Leeds City Region Enterprise Zones Feasibility and Investment Framework).</p> <p>A market review of Enterprise Zones was commissioned. This identified a demand for this location and also the size of unit most appropriate for potential occupants. Based on the two market reports, the development strategy will provide infrastructure to the whole site and build the units over a period of time, as the Leeds City Region Enterprise Zones Feasibility and Investment Framework recommended.</p> <p>Marshall is development and a construction company. Marshall has confirmed that approximately 90% of expenditure on infrastructure and unit construction is competitively tendered and delivered by subcontractors. They advertise on the company website and where this produces an inadequate response, approach reputable contractors and invite them to bid.</p>

	<p>The tender process to procure the enabling works contractor has completed, with a preferred bidder identified.</p> <p>Outline planning has been approved with conditions attached by Bradford Council for the site area within the Bradford boundary. A separate application has been approved by Leeds City Council for the access road, as the required land sits within the Leeds boundary.</p> <p>State Aid advice has been provided from a specialist company (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.</p>
Economic Case	<p>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.</p> <p>Two options have been considered:</p> <ul style="list-style-type: none"> • Either deliver the infrastructure to the whole site by March 2021, with a funding agreement in place to bridge the viability gap in total • 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. <p>The former option is the preferred scheme.</p> <p>The options have been appraised in alignment with the MHCLG guidance in relation to employment generated by assessing deliverability, funding capacity, timescale, impact and value for money.</p> <p>At full business case with finalised costs, the value for money assessment judges the scheme as high value for money when assessed against government criteria, with a benefit cost ratio of 16.5:1.</p>
Financial Case	<p>The Combined Authority grant sought would finance enabling works at a capped cost of £9.877 million. There is significant private sector investment in the scheme.</p> <p>The contractor has allowed for 5% contingency to be allocated to infrastructure costs.</p> <p>Any cost overruns will be covered by Marshall and/or within the contracts of appointed subcontractors. No additional grants will be requested from the Combined Authority.</p> <p>Financial risks such as higher infrastructure costs than anticipated has been considered, with inclusion of the aforementioned 5% contingency.</p> <p>The cash flow funding profile is in line with the anticipated delivery programme, with Combined Authority funding of £9.877 million to be expended across 19/20 and 20/21.</p>

Management Case

Delivering projects of this nature is the mainstream business of the Marshall/CDP group. 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.

Project governance will be provided as per the following:

- An Enterprise Zone programme board has been established to provide strategic direction and decision making at a programme level.
- An Enterprise Zone project board has been established to provide a forum for discussions with the partner councils (for Gain Lane, both Bradford and Leeds councils are represented).
- Going forward into the delivery phase, the Combined Authority will implement six weekly project meetings with Marshalls. This requirement will be captured in the Funding Agreement and incorporate colleagues from Bradford Council. This meeting will focus on activities and work streams completed in the previous period, costs incurred, planned work packages, risks and issues.

In terms of day-to-day management, the Combined Authority, in partnership with the LEP, has established a dedicated team within the Delivery directorate to manage the wider Enterprise Zone 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

The Local Growth Fund grant must be spent by March 2021.

Through an early stage Risk Register, several key risks with mitigation measures have been developed.

The approach to monitoring and evaluation (and reporting of benefits) is to be developed as part of the wider Enterprise Zone programme.

Location map:

The 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/>