

New Anglia LEP Investment Appraisal Committee

Wednesday 18th April 2018
9am to 9:45am
Green Britain, Swaffham, Norfolk
Agenda

Committee Members	
Lindsey Rix	Aviva
Cllr David Ellesmere	Ipswich Borough Council
John Griffiths	St Edmundsbury Borough Council
Sandy Ruddock	Scarlett and Mustard
Alan Waters	Norfolk County Council
Tim Whitley	BT
Dominic Keen	High Growth Robotics
Exec Members	
Iain Dunnett	New Anglia LEP
Chris Dashper	New Anglia LEP
Tracie Ashford	New Anglia LEP

No.	Item
1.	Welcome
2.	Apologies
3.	Declarations of Interest
4.	Minutes from last Meeting
5.	Horizon Projects Table - Confidential
Items for discussion	
6.	Speculative Investment Paper
7.	West Suffolk College Engineering and Technology Centre
8.	Draft Capital Growth Programme Call – Confidential Appendices
Other	
9.	Any Other Business

Date and time of next meeting: Wednesday 23rd May, 2018. 9am-9:45am
Venue: Co-op Education Centre, 11 Fore St, Ipswich IP4 1JW

**New Anglia Investment Appraisal Committee
Meeting Minutes (Unconfirmed)
21st March 2018**



Present:

Committee Members

Cllr David Ellesmere (DE)	Ipswich Borough Council
Lindsey Rix (LR) By Phone	Aviva
John Griffiths (JG)	St Edmundsbury Borough Council
Sandy Ruddock (SR)	Scarlett and Mustard
Alan Waters (AW)	Norwich City Council

In Attendance

Iain Dunnett (ID)	New Anglia LEP
Chris Starkie (CS)	New Anglia LEP
Chris Dashper (CD)	New Anglia LEP
Tracie Ashford (TA)	New Anglia LEP

Actions from meeting 21.03.18	
Minutes from Last meeting All attendees to be listed on the agenda.	TA
Minutes from Last meeting Horizon information to be visible at the beginning of the meeting papers in future from May 2018.	ID
1	Welcome from the Chair
Lindsey Rix (LR) went round the table and everyone introduced themselves and apologised for being on the phone.	
2	Apologies
Apologies were received from Tim Whitley and Dominic Keen.	
3	Declarations of Interest
Full declarations of interest can be found at http://www.newanglia.co.uk/about-us/the-board/ . Declarations relevant to this meeting: Item 8 Alan Waters (AW) Item 9 David Ellesmere (DE)	
4	Minutes of the last meeting
The committee agreed the minutes were a true account from the last meeting on 21.02.18. LR requested that the list of attendees appeared on the agenda and the Horizon Details should be at the front of the paper in future and needed to include broad financial parameters for the Growing Places Fund. <i>Actions from last meeting updated as follows:</i> Capital Growth Programme Verbal Update CD/ID to review Cultural Projects – to be completed as part of the Growth Deal appraisal of deferred projects. CD to oversee review of Growth Deal projects in May – Ongoing. Terms of Reference CD To make amendments to Terms of Reference and ensure on website by 28/02/18 - Completed AOB	

	<p>ID to bring a dashboard of headline projects to the next meeting – Completed</p> <p>The Committee Agreed that</p> <ul style="list-style-type: none"> • The list of attendees should be listed in the agenda • The Horizon information should be visible at the beginning of the meeting papers in future 	
5	Stowmarket Atex - Confidential	
	<p>The committee agreed</p> <ul style="list-style-type: none"> • To note the content of the application. 	
6	Carlton Marshes	
	<p>Iain Dunnett (ID) took the majority of the paper as read and highlighted the key points of the paper.</p> <p>JG said it offered a good opportunity to invest in with very good leverage, CD confirmed the match funding was important.</p> <p>LR recommended supporting the proposal provided Heritage Lottery Fund funding is also awarded.</p> <p>The Committee agreed</p> <ul style="list-style-type: none"> • To note the content of the paper. • To award the grant of £250,000 to Suffolk Wildlife Trust for Carlton Marshes, dependent upon a successful outcome on the HLF application. 	
7	Snetterton Heath Power – Confidential Appendices	
	<p>CD took the majority of the paper as read and highlighted the key areas.</p> <p>AW questioned whether the LEP was subsidising an increase in land value and wanted to know if the LEP would get a return on investment.</p> <p>CS compared the project with investment in the Norwich Anglian Square development.</p> <p>CD explained there was a clawback that could be incorporated into the agreement to give a return and could be fixed at a de minimus level.</p> <p>JG asked if a grant/loan combination could be considered and CS explained that this had been explored over a 6 month period but was not viable.</p> <p>The Committee Agreed</p> <ul style="list-style-type: none"> • To note the content of the paper. • That CD would present the committee recommendation at the LEP board meeting on the 21st March 2018 to offer a grant of £2.65m. 	
8	Norwich Area Transportation Strategy	
	<p>Alan Waters (AW) left the room while this was discussed.</p> <p>CD took the majority of the paper as read and reviewed the keys points of the paper.</p> <p>The committee agreed</p> <ul style="list-style-type: none"> • To note the content of the paper. • To transfer of £350,000 from NATS A11 Corridor Package to the NATS City Centre Package. • The inclusion of the Plumstead Road roundabout scheme into the NATS City Centre Package and use of £400,000 of previously allocated fund. <p>Alan Waters returned to the room.</p>	
9	Ipswich Cornhill	
	David Ellesmere (DE) left the room while this was discussed.	

CS took the majority of the paper as read and reviewed the keys points of the paper.		
The Committee Agreed		
<ul style="list-style-type: none"> To note the content of the paper. That CS would present the committee recommendation at the LEP board meeting on the 21st March 2018 to offer an additional £50,000 grant. 		
David Ellesmere returned to the room		
10	Verbal Update Great Yarmouth Investment - Confidential	
Governance		
11	Growing Places Fund Horizon Projects	
This was discussed under previous meeting minutes and was agreed that this would feature at the front of papers for future meetings from May 2018 following approval of the LEP Capital Budget in April 2018.		
12	Terms of Reference – Growing Business Fund	
The Committee Agreed		
<ul style="list-style-type: none"> To note the content of the paper To adopt the Terms of Reference 		
13	Terms of Reference – Investment Appraisal Committee	
The Committee Agreed		
<ul style="list-style-type: none"> To note the content of the paper To adopt the Terms of Reference 		
Other		
14	Any Other Business	
<ul style="list-style-type: none"> None 		

Next Meeting

Wednesday 18th April 2018, 9am – 9.45am.

Green Britain, Swaffham, Norfolk

New Anglia Local Enterprise Partnership Investment Appraisal Committee
18 April 2018

Agenda Item 6

New Anglia LEP: Speculative Investment

Author: Chris Dashper

Summary

Since 2012, when the Growing Places Fund was first launched, New Anglia LEP has had the opportunity to support commercial projects with repayable loan interventions.

Due to the requirement to ensure that best value is secured through the use of public funds at minimal risk, the majority of loans made by New Anglia LEP to date have been non-speculative, with either a confirmed end user or occupant or a defined and manageable repayment method in place from the outset.

New Anglia LEP continues to receive regular requests for funding through the Growing Places Fund, many of which could be considered as speculative projects.

In lower risk circumstances, a loan for a speculative project may be appropriate for LEP support. This paper outlines for the Board the issues of speculative development and when such an intervention might be considered by the LEP.

Recommendation

The Board is recommended to consider using Growing Places Fund and other funds if available to support speculative investments in certain lower risk circumstances.

Background

The term 'speculative construction' or 'speculative development' describes a process in which unused land is purchased or a building project is undertaken with no formal commitment from any end users.

Despite the end user being unknown, the developer is confident not only that they will be able to find one but also that the type of development being undertaken is suitable. This contrasts with custom building when a builder is contracted for a specific development by a client who is able to provide a brief of their requirements.

Speculative development does have a degree of notoriety attached to it, from the 1980's in particular where in cities and major growth areas de-regulation of the financial sector and the availability of international financing led to significant commercial developments and property booms.

Examples of speculative construction include:

- Constructing retail space to lease space from or to sell
- Constructing a business park or office space to sell or lease
- Building houses to sell
- Conversion of existing buildings into other uses to lease or sell

Speculative developers typically profit from carefully timing the buying and selling of land or property for development. Land for office or housing developments can often be purchased at a cheaper rate during a market depression and then sold once developed when the market has recovered. However there is risk in this as the costs are often high, the timescales are long and the consequences of misjudging the market and not finding a buyer can be serious. Public funding is not traditionally used to support the purchase of land and the LEP would not consider requests to solely support the purchase of land through any of the programmes. The growing issue of land banking is also a reason not to support land purchases. For any other type of development the LEP already operates a policy of supporting 'shovel ready' projects to ensure that funding is not tied into projects that have no chance of an immediate start.

It can be common for speculative developments to remain empty or partially empty for a long time after construction and for developers to suffer financially as a result, which can then have a corresponding impact on the ability to repay any debt finance.

It is rare that large scale speculative developments such as large offices will be undertaken by anyone other than the largest developers as the amount of investment and duration can be prohibitive. Building companies speculating on small scale industrial developments are more common and of the type that New Anglia LEP has often been approached to support, for example the Malthouse in Ipswich and Atex in Stowmarket.

It is also common with owner-occupied housing, where there is a relatively short build time, limited capital is tied up in the building and there may be greater willingness from commercial banks to extend credit on the security of land holdings. The LEP has had few approaches for such investments because there is a less obvious failure in the traditional funding available in the market.

New Anglia LEP has funded a number of commercial and public projects through repayable loans since the launch of the Growing Places Fund in 2012.

Table of LEP loans to date

Project	Loan £	Public/Commercial	Loan type
Haverhill Research Park	£2m	Commercial	Road infrastructure
Barton Mills Roundabout	£500k	Commercial	Road infrastructure
Kesgrave Hall	£300k	Commercial	Commercial business
Kings Lynn Innovation Centre	£2.5m	Public	Innovation Centre
Pasta Foods	£2.4m	Commercial	Commercial business
Peel Estates, North Walsham	£2.3m	Commercial	Housing infrastructure
Ipswich Flood Defence Scheme	£6.6m	Public	Flood defence infrastructure
Ipswich Winerack	£5m	Commercial	Housing infrastructure
Malthouse Ipswich	£600k	Commercial	Commercial business space

Loans have been awarded for a variety of purposes, from unlocking stalled sites with infrastructure, the original purpose of the Growing Places Fund, through to the purchase of capital equipment and capital build and flood defences.

To ensure appropriate use of public funding, all loans to date aside from Ipswich Malthouse have been awarded on a non-speculative basis, with either an existing owner or an identified future occupier or a pre-arranged repayment arrangement in place.

Where housing projects have been supported through the Growing Places Fund, the loan has been provided for the infrastructure to unlock the site, not to fund the houses themselves. The exception to this is the Ipswich Winerack, where the fund has supported a mixture of infrastructure and housing, but only because the Homes and Communities Agency was the senior partner in the project, which reduces the overall risk for the LEP.

Ipswich Malthouse, which has received agreement for a GPF loan is considered to be a speculative project, because the project had no confirmed future occupiers at the time of approval, however, the project was considered to address a market failure in Ipswich, with a significant level of un-serviced demand for small, easy terms business lets, particularly in a prime location between the railway station and the Princes Street EZ in Ipswich

Key issues

Recent discussions around projects such as the Malthouse in Ipswich and ATEX in Stowmarket suggest that on an appropriate scale, a degree of limited speculative investment should be considered by the LEP. The following list defines the factors we recommend should be reviewed when a speculative investment is being considered.

- Necessary approvals such as planning permission in place
- Suitable site identified and ownership issues resolved
- Appropriate size and complexity of the development
- Residual valuation exceeding loan request by appropriate ratio, to be determined by the IAC
- Amount of request within LEP preferential limits- recommended range would be between £500k and £1m.
- Match funding or financing arrangements in place
- Delivery and repayment within 3-5 year time period
- The market conditions and evidence of need at the time and in the future
- The potential return on investment is commensurate with risk and value
- Comparison with other potential projects to ensure best value

Should the above factors be satisfied and the project is considered to be of appropriate type and scale for LEP investment (or the investment requested from the LEP can be scaled in a way that still allows the project to proceed) then a legally binding, secured loan should be considered by the IAC and subsequently by the LEP Board

Link to the Economic Strategy

Support to developments of all types through LEP programmes links to the creation of jobs, new homes, support to new and existing businesses and the promotion of growth locations and Enterprise Zones.

Recommendation

The Board is recommended to consider using Growing Places Fund and other funds if available to support speculative investments in certain lower risk circumstances.

New Anglia Local Enterprise Partnership Board
Wednesday 23rd May 2018

Agenda Item 7

Engineering and Technology Centre, West Suffolk College (Vinten's Building)

Author: Natasha Waller & Michael Gray. Presenter Chris Dashper

Summary

- This paper seeks approval by the LEP Board of a **£3m investment** from the Growth Deal towards the development of an Engineering and Technology Centre at West Suffolk College.
- This will be the second tranche of a £7m LEP investment in the centre. £4m was previously provided by the LEP to acquire the site and 9000m² premises in 2016.
- The £3m will be used to refurbish at least 3000m² of the building so that it is fit to deliver training in areas required by key sectors of our local economy.
- The project will result in **536 additional learners** over the first four years. 246 of which will be engineering courses at level 3 and above.
- Acquisition and refurbishment of the site provides the potential to unlock further strategic opportunities.

Recommendation

To approve the release of the remaining £3 million, originally allocated through the Skills Capital funding application process, for the refurbishment of part a building in order to create a new Engineering and Technology Centre at West Suffolk College.

Background

In 2014, as part of the then skills capital allocation process the New Anglia Skills Board prioritised a £7 million investment for the acquisition, modernisation and refurbishment of premises within walking distance of the main West Suffolk College (WSC) campus to be used for full-time further and higher education provision for the energy, engineering and advanced manufacturing sectors. This building was acquired from Vitec who are relocating to other premises in the town.

As the current college campus have limited capacity to grow curriculum areas including their ability to demonstrate engineering principles on a practical basis, the project was approved to enable growth and improve the quality of the college's offer in these key economic areas. The project also represented a unique opportunity to secure land and property on the periphery of the main WSC campus.

Following the prioritisation of the project by the Skills Board, WSC were invited to submit a detailed application to ensure full due diligence was applied before funding was granted and to help inform the final decision to be made by the LEP Board. During this process it was decided

that the project would be split into two distinct phases. The first, to acquire the site and the second to undertake modernisation and refurbishment. This was due to both the annual allocation timescales of the Growth Deal allocation from Government and the level of detail available at that point regarding the refurbishment due to the commercial sensitivity of purchasing the building from the Vitec company.

In January 2016, the LEP invested £4 million to acquire the site.

It was expected that the previous owners would be able to vacate the site earlier than has been the case. With the purchase of the site the previous owners of the site became tenants, with West Suffolk College receiving a rental income. This rental income (£669,000) has been ring fenced and will be invested back into the development of the centre, either increasing the levels of refurbishment due to take place or helping to cover any increase in refurbishment costs.

The LEP Board is now asked to **approve release of the remaining £3 million** of Growth Deal funding already ringfenced for the modernisation and refurbishment of the building.

The £3m grant will be used by West Suffolk College to fund the necessary modifications of a proportion of the premises. This includes the discharging/meeting the planning conditions, improving the building façade and creating the teaching spaces required including six higher education engineering classrooms complimented by demonstration areas providing students with a more 'hands-on' enhanced experience – vital for employability.

There will also be the creation of professional training facilities within three rooms in the centre specifically designed to meet employers demands for targeted higher-level skills training for their workforce.

The investment is expected to enhance the regional engineering and STEM provision offer. It will result in at least an **additional 536 learners** over the first four years:

- 246 of which will be engineering courses at level 3 and above.
- 290 across ICT, business management, science and health and social care due to releasing classroom space at the main campus.

This growth is expected to continue beyond the initial four years.

Acquisition and refurbishment of the site also provides the potential to unlock strategically important opportunities to further enhance the regional training offer in important areas.

The Engineering and Technology Centre is an integral part of the bid to establish an Institute of Technology in the East (EIoT), providing the space and industry standard facilities to deliver the Institute's higher level technical engineering curriculum. There are many large-scale engineering/ technology and infrastructure projects planned for the area that are of national significance which will substantially drive demand for high value skills beyond current levels such as offshore wind, offshore decommissioning and the potential Sizewell C and Bradwell B nuclear new builds. Many of the organisations involved in these developments are supporting partners of the EIoT bid and will be working with WSC to support the development and delivery of its curriculum.

This facility could potentially become part of a National College for Nuclear proposal, providing many of the core technical skills that will be required for constructing and operating a Nuclear Power Facility. WSC are also in dialogue with the Advanced Manufacturing Centre in Coventry to become a 'spoke' site that would lead to innovative manufacturing and productivity solutions for employers.

These developments will take place in the refurbished area if approved plus in the remaining 6000m² of the site which will fall outside of this part of this current application. It is fully anticipated that this area will be developed without further LEP funding.

Key issues/consideration

£4million has already been committed to the Centre and spent to purchase the site and the rental income has been ring fenced to go back into this project. £1 million has been committed by the College to support the proposal. This was previously agreed by the LEP Board and approved by the government appraisal process.

Timescales, vision and costings have all evolved since the original concept and proposal to the Board but the college is committed to the Science, Technology, Engineering and Maths (STEM) agenda and this is part of process of developing this curriculum for the region.

The Board do need to be aware that a full building inspection has not been carried out to date due to restriction issues with the original owner who then became a tenant. This may lead to further costs in creating a safe teaching environment. This is in addition to the known change of use redevelopments already identified by planning regulations.

The LEP have made it very clear that there will be no additional funds available to cover any contingencies if costings increase dramatically for the area of the building identified in the Detailed Application Form (dated 16/03/2018). West Suffolk College have agreed to cover these costs or review the level of resourcing. A Grant Agreement would be put in place to secure this position (i.e. that any cost overruns would be met by the College). They have a strong history of financial management and monitor their reserves robustly. Any further delay risks increasing costs and delay in revenue from increased student capacity.

As identified below, this development intertwines with other submitted proposals to grow the provision in the area.

Link to the Economic Strategy

This new facility will support the growth in numbers of engineering students that are able to be trained at the college. Advanced Manufacturing and Engineering & Energy are key sectors for the LEP and the recently endorsed sector skills plans highlight a clear need for increase in numbers of entrants to these sectors and an upskilling of the existing workforce.

This building also has areas earmarked for the proposed Eastern Institute of Technology and if successful, funding will support further development over the coming years. Expansion of the curriculum will also occur together with establishment of stronger links with other educational providers in the region and key employers. Some of this is already underway and some new equipment has been part funded through the Skills Deal which will be housed here. Training has also been offered by an employer to improve the social mobility of a number of individuals referred by the DWP showing that this building will clearly drive inclusion and skills.

The release of classroom space in the main college will allow other curriculum to grow as well – Health & social care, Science, ICT and Business Management. Again these are all vital areas of curriculum backed up by our ambitions and endorsed by their representative sector skills plans.

Next Steps

Grant agreement will be developed and signed.

Further structural reviews will be carried out and building work commissioned.

Centre to be operational for the 2019/20 academic year.

Further STEM based proposals to be developed for the unoccupied area.

Recommendation

To approve the release of the remaining £3 million, originally allocated through the Skills Capital funding application process, for the refurbishment of part a building in order to create a new Engineering and Technology Centre at West Suffolk College.

New Anglia Local Enterprise Partnership Board
Wednesday 23rd May 2018

Agenda Item 8

Draft Paper - Capital Growth Programme Call: recommendations

Author: Emily Manser / Chris Dashper

Summary

The Capital Growth Programme call for projects was launched in October 2017. Under this call, £9m of grant funding from Growth Deal was made available, of which £5.13m has been allocated to projects.

A number of projects were deferred pending further information, which has now been received and appraised.

This paper is to decide whether to financially support these projects in order to allocate the remaining £3.87m of the project.

Tables 2 and 3 are deemed confidential because they contain commercially sensitive information.

Recommendation

Approve the award of Growth Deal grant funding to the following projects in table 1:

- Project X
- Project Y
- Project Z

Approve the recommended decision option for each of the projects in tables 2 and 3:

- Table 2: Recommended to defer – **Confidential**
- Table 3: Recommended to reject – **Confidential**

Background

The Capital Growth Programme call for projects was launched immediately following the October 2017 LEP Board meeting.

Under the call £9m of grant funding from the Growth Deal has been made available to support projects that help deliver the new Economic Strategy.

A total of 29 project Expressions of Interest were received, with sectors including infrastructure, transport, employment projects, skills and cultural themed projects.

The Board considered the 29 projects in January. The Board approved 2 of these, Bacton to Walcott Coastal Management Scheme and the Cefas Research Centre. 7 projects were rejected as they were deemed ineligible for the funding. 20 projects were deferred as they required further information to allow a more detailed assessment to take place before a decision could be made on whether or not they should be recommended for funding. All projects were written to with a clear request as to the further information we required.

Subsequently, the Board approved 1 of the deferred projects at the March Board. This was the Snetterton Heath Employment Area Electricity Upgrade Scheme, as it required an earlier decision.

Fourteen projects have now submitted further information, which have again been independently appraised. Of the remaining 6 projects that were deferred in January, one has since been approved (Snetterton Electricity Scheme) and five did not submit the requested further information by the deadline.

Recommendations for the approval, deferral or rejection of these projects are outlined in the tables below.

Appendix 1 provides a summary appraisal of each project recommended to be approved.

Appendix 2 provides further information regarding the appraisal methodology.

Looking further ahead, once the £9m from this call is fully allocated, the Capital Growth Round will still have £23m available and we are planning a second call for strategic projects later in the year. This will be in the autumn.

Key Considerations

The fourteen projects recommended for approval would utilise the remaining £3.87m of the £9m.

The remaining £5.13m of the £9m has already been allocated. This consists of £2.48m allocated at the January 2018 Board meeting to Bacton Flood Scheme and Cefas Research Centre, and £2.65m allocated to Snetterton Electricity Scheme at the March 2018 Board meeting.

A further £23m would then remain for a future call to be held in the autumn.

[Depending on appraisals- if many projects score a high result, the Board may wish to consider whether to utilise any of the £23m funding ring-fenced for the autumn call].

The funding is for projects that are complete by March 2021 at the latest.

Link to the Economic strategy

The approved projects will help to deliver the new Economic Strategy. All projects recommended for approval have been appraised and prioritised against their fit with the Economic Strategy along with other criteria (outlined in Appendix 2).

Next Steps

Issue grant agreements for the approved projects and monitor progress.

Prepare criteria and appraisal process for the autumn 2018 call.

All new projects to be in progress by 2019, for completion by March 2021 at the latest.

Recommendation

Approve the award of Growth Deal grant funding to the following projects in table 1:

- Project X
- Project Y
- Project Z

Approve the recommended decision option for each of the projects in tables 2 and 3:

- Table 2: Recommended to defer – **Confidential**
- Table 3: Recommended to reject – **Confidential**

DRAFT