

City Deal and Growth Deal Programme Board

Business Case Approval Form

1. Project title and proposing organisation(s)

The purpose of this business case is to seek LEP approval to undertake active financial management between two parallel funding streams to their mutual benefit. The funding streams in question are the Growing Places Fund and the SSLEP Growth Deal monies. The principle is to vire SSLEP Growth Deal monies into the GPF programme to secure in year investment objectives for the GD Programme with the GPF repaying the monies to the GD programme in future years.

The GPF has been made available from Central Government to SSLEP in line with the following objectives:

- To generate economic activity in the short term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing
- To allow local enterprise partnerships to prioritise the infrastructure they need, empowering them to deliver their economic strategies
- To establish sustainable revolving funds so that funding can be reinvested to unlock further development, and leverage private investment.

Approval has been granted for the Growing Places Fund Programme to invest in the following projects in 2016/17, 2017/18 and 2018/19

- HellermannTyton UK sales & distribution centre, Kingswood Lakeside Business Park, Cannock
- Smithfield Hotel, Stoke city centre
- Dunston Business Village Extension Phase 2, Penkridge
- London House Student Accommodation, Stoke
- Oak House Residential Care Home, Fenton

This Business Case is submitted on behalf of Staffordshire County Council.

2. Decision date

CDGD Programme Management Board 29th November 2016.

3. Decision summary: Recommendation etc.

On the assumption that sufficient funding is available, that the City Deal and Growth Deal Programme Board recommends:

- Spending of up to £2.3m to settle the 2016/17 accounts payable on the GPF projects listed below and to mitigate against slippage of spending from the Growth Deal 1 and Growth Deal 2 programmes, full details in Section 5.4

The GPF investment in these schemes has previously been approved by the LEP Board / Executive at the appropriate times during the lifetime of the programme. The LEP papers and minuted decisions can be made available if required

- Relevant funding will be repaid to the Growth Deal 1 and 2 projects at the appropriate date from the carried forward GPF balance

4. Is the decision exempt from being publically reported by the LEP (if so please specify the reasons why)

The decision is not exempt from being publically reported by the LEP. However, the individual GPF investment papers have been treated as confidential therefore that principle should be maintained.

5. Options appraisal

The submissions from each GPF applicant contained scheme specific options appraisals, all of which were accepted by the GPF Appraisal group and ultimately the LEP Board/Executive.

Regarding the proposal within this paper, the options are as follows:

Options 1 - Do Nothing

Without the proposed GPF investment the proposed projects potentially would not happen or would progress at a significantly reduced pace.

Without the financial management facility the Growth Deal will experience significant in year slippage.

Option 2 – Financial Management Facility approved

The GPF supported projects would still go ahead.

If the financial management facility is approved the Growth Deal will be able to manage slippage.

Option 3 – SWAP Not Approved

The GPF supported projects would still go ahead.

Without the financial management facility, the Growth Deal will experience significant in-year slippage.

5.1. Strategic case

The submissions from each GPF applicant contained a scheme specific strategic case linking the proposed project and its associated outputs / benefits to the LEP's Strategic Economic Plan. Again, all of these were accepted by the GPF Appraisal group and ultimately the LEP Board/Executive. Details of the approving authority are as follows:

- HellermannTyton Logistics Facility: Board meeting 12th September 2013
- Smithfield Hotel: Executive Group meeting 13th October 2016
- Dunston Business Village Ph. 2: Executive Group meeting 15th October 2015
- London House Student Accommodation: Executive Group meeting 15th October 2015
- Oak House Residential Care Home: Executive Group meeting 21st July 2016

The strategic case for adopting the initiative to vire the monies between the two funding programmes is an overarching principles being made elsewhere.

5.2. Economic case

The scheme description and economic case for the individual GPF schemes is as follows:

Project description

HellermannTyton UK Sales & Distribution Centre

Applicant scheme description: ... the delivery of HellermannTyton's new UK sales & distribution centre. Situated in Cannock and developed by Coltham Developments the scheme will extend to 63,000 ft² including warehousing, office accommodation & associated infrastructure. Supplying a range of sectors including automotive & aeronautical engineering, relocation will enable the company to maintain its increasing turnover of 6% p.a. in the medium term.

Scheme outputs: 55,000 ft² of warehouse & 8,000 ft² office.

Scheme outcomes: 45 jobs safeguarded with an anticipated 10 extra jobs

Requested investment: £750,000 (approx. 18% of total scheme)

Delivery programme: This scheme started on site in July 2015 and should be operational by June 2016.

Project description

Smithfield Hotel by Genr8

Applicant scheme description: The development comprises the construction of a 140 bed full service Garden Inn Hilton Hotel.

Scheme outputs: a 140 bed full service Garden Inn Hilton Hotel

Scheme outcomes: the creation of ca. 50 FTE jobs

Requested investment: £2,960,000 grant

Delivery programme: Construction period. Nov 2017 – April 2019

Project description

Dunston Business Village extension – ‘The Island’

Applicant scheme description: The continued development and expansion of Dunston Business Village, through the creation of 16 additional log cabin offices. 12 will be on a raised platform [The Island] which will not only give car parking and storage underneath but will also allow the cabins to have unrivalled views over the adjacent countryside thus maintain the site’s USP.

Scheme outputs: 19,200 m² of high quality office floor space

Scheme outcomes: anticipated 160 jobs

Requested investment: £730,000 (50% of total scheme)

Note. The first phase of the GPF supported scheme has been completed and over 200 people are now based in those log cabin offices.

Project description

London House student accommodation

Applicant scheme description: The project will comprise the development of a children’s play-centre located in the centre of Stoke-on-Trent. This will involve the demolition of the existing building and the construction of a new purpose built student block. The property will hold a total of 122 self-contained student studios. The expected date of completion is September 2017.

Scheme outputs: 122 self-contained student studios

Scheme outcomes: 4 jobs, significant student expenditure in local facilities

Requested investment: £1,062,500 (25% of total scheme)

Delivery programme: Start on site – May 2016, completion – July 2017.

Note. This is the second phase of student accommodation to be provided within the development. It is catering for the more affluent students who require higher-end accommodation; for example, international students.

Project description

Oak House Residential Care Home

Applicant scheme description: Redevelopment of a former public house to provide an 8 bed CQV registered residential care home for people with learning disabilities., comprising 5 single occupancy flats and a 3 bed shared flay (each

flat would have own kitchen, bathroom & lounge); development would include communal lounge area to ensure social opportunities.

Scheme outputs: 8 residential places for vulnerable adults

Scheme outcomes: 40 jobs

Requested investment: £ 220,000 (32% of total scheme)

Delivery programme: conversion to be completed by Spring 2017

The strategic case for adopting the initiative to vire the monies between the two funding programmes is an overarching principles being made elsewhere.

5.3. Commercial case

All GPF funded schemes have been appraised by the LEP's Growing Places Fund Group. The objectives of the GPF are extremely wide therefore each appraisal has been undertaken on an individualistic basis but with each proposal having to prove its commercial viability underwritten by appropriate loan security.

Each applicant undergoes a commercial standing appraisal to ensure minimisation of risk to the GPF investment.

5.4. Financial case

The details of the suggested Growth Deal temporary investment in GPF schemes are as follows:

- HellermannTyton Logistics Facility – Investment up to £750,000
- Smithfield Hotel – Investment up to £400,000
- Dunston Business Village Phase 2 – Investment up to £165,000
- London House Student Accommodation – Investment up to £1,062,500
- Oak House Residential Care Home – Investment up to £220,000

This totals £2.6m but experience in managing the Fund indicates that a degree of slippage should be included therefore a figure £2.3m should be used.

5.5. Management case

The Growing Places Fund is structured to be managed by the County Council in accordance with its financial procedures but accountable to the LEP through the GF Group and ultimate accountability to the LEP Board. This provides transparency, ensures value for money as well as minimising accounting costs. Temporarily viring Growth Deal monies into the GPF programme will not cause any issues with the GPF programme management.

5.6. Resource and VFM analysis

The figures in the following table are those relating to the complete scheme cost. All match funding for each scheme is secured.

	GPF investment	Total scheme cost	Investment leverage ratio *
HellermannTyton Logistics Facility	£750,000	£3,991,660	£5.32
Smithfield Hotel	£2,960,000	£17,000,000	£5.74
Dunston Business Village Ph. 2	£730,000	£1,360,000	£1.86
London House Student Accommodation	£1,062,500	£4,250,000	£4.00
Oak House Residential Care Home	£220,000	£628,000	£2.85

* each £1 invested levers in the finding shown

Value for Money is one of the appraisal elements and they are as follows:

	Outputs	Outcomes
HellermannTyton Logistics Facility	£680 / m ² of workspace.	£88,704 per job (£72,576 per job post expansion)
Smithfield Hotel	£21,143 / unit (room)	
Dunston Business Village Ph. 2	£35.42 / ft ² office space	£4,250 per job
London House Student Accommodation	£8,705 per unit	£59,200 per job
Oak House Residential Care Home	£519 per m ² gross floor area £676 per m ² residential floor area £36,666.66 per unit	£5,500 per job

6. Consultation process

The Growing Places Fund investment has been approved in each case by either the LEP Board or the LEP Executive. The details of the approvals can be found in the papers for the following meetings:

- HellermannTyton Logistics Facility - BOARD MEETING 12th September 2013
- Smithfield Hotel - EXECUTIVE GROUP MEETING 13th October 2016
- Dunston Business Village Ph 2 - EXECUTIVE GROUP MEETING 15th October 2015
- London House Student Accommodation - EXECUTIVE GROUP MEETING 15th October 2015

- Oak House Residential Care Home - Executive Group. Thursday 21st July 2016

7. Location of proposal

The locations of the schemes in question are as follows:

- HellermannTyton UK sales & distribution centre, Kingswood Lakeside Business Park, Cannock
- Smithfield Hotel, Stoke City Centre
- Dunston Business Village Extension Phase 2, Penkridge, Stafford.
- London House Student Accommodation, Stoke
- Oak House Residential Care Home, Fenton

8. Risk analysis

Each approved scheme within the GPF Programme has included a risk analysis. These will have been comprehensively analysed by the commissioned due-diligence consultant then by the LEP's Growing Places Fund Group and further underwritten by an appropriate loan security guarantee.

9. Legal analysis

Each approved scheme within the GPF Programme has included a state aid compliance check, land ownership checks, and contractual arrangements checked within the due-diligence process. These will then have been reviewed by the LEP's Growing Places Fund Group and again falls within the contractual framework of the loan security guarantee.

10. Delivery

The list of schemes put forward for inclusion in this exercise are those where there is reasonable certainty of appropriate expenditure. Further schemes are included in the GPF programme but with a reduced probability of expenditure in 2016/17, these have been excluded from this initiative.

11. Timetable

The timetables for the schemes in question are as follows:

- HellermannTyton UK sales & distribution centre. This scheme started on site in July 2015 and should be operational by November 2016;
- Smithfield Hotel. Start on site – Nov 2017, completion – April 2019.
- Dunston Business Village Extension Phase 2, Penkridge, Stafford.
- London House Student Accommodation, Stoke. Start on site – Jan 2016, completion – July 2017.
- Oak House Residential Care Home, Fenton. Conversion to be completed by Spring 2017.

As can be seen, all the schemes are underway hence providing the surety of financial delivery required for this active financial management initiative.

12. Author

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13. Decision details

For official use only – details of date considered by City Deal and Growth Deal Programme Board and any additional information for decision record

APPENDICES

1. LEP BOARD / EXECUTIVE PAPERS

APPENDIX 1
LEP BOARD / EXECUTIVE PAPERS

1. HellermannTyton Logistics Facility: LEP Board meeting. 12th September 2013
2. Smithfield Hotel. LEP Executive Group meeting 13th October 2016
3. Dunston Business Village Phase 2: LEP Executive Group Meeting. 15th October 2015
4. London House Student Accommodation: LEP Executive Group Meeting. 15th October 2015
5. Oak House Residential Care Home: LEP Executive Group. Thursday 21st July 2016

1. **Item (7)**
STOKE-ON-TRENT AND STAFFORDSHIRE
LOCAL ENTERPRISE PARTNERSHIP
BOARD MEETING
12th September 2013
Report of the Chair of the Funding Group
Growing Places Fund Update

1. **Purpose of Report**

1.1 To provide an update to the Board on delivery of fund and to request approval to fund the Round 3 schemes.

2. **Recommendations**

2.1 It is recommended that:

a) The Board permits the proposed investment as detailed in 3.2

3. **Background**

3.1 On Thursday 29th August, the Land & Housing group met to consider the second stage and due diligence appraisals of the three Round 3 schemes; those being the HellermannTyton factory & logistics centre at Kingswood Lakeside, Cannock; B, the new MG Sanders factory at Redhill Business Park, Stafford and C, the Wintech HQ development also at Kingswood Lakeside, Cannock.

3.2 The investment requested is as follows:

1. HellermannTyton. Construction of a 63,000 ft² warehouse / distribution industrial unit applying for £750,000;
2. MG Sanders. Construction of a 66,000 ft² manufacturing facility applying for £1,540,000;
3. Wintech. Construction of a 22,000 ft² flagship office development applying for £1,120,000.

All schemes were considered appropriate for Growing Places Fund investment pending provision of appropriate loan security and completion of the legal agreement in all cases. 1 and 3 represent inward investment and 3 is an expansion of an existing high technology materials business.

4. **Update on Scheme Progress**

4.1 In the report to the July Board, approval was given to de-allocate either the Beacon Business Park or Mill Green scheme due to non-delivery. This situation has been resolved without that action having to be enacted.

Cannock Chase Council have withdrawn the Mil Green scheme from the GPF scheme following positive, if protracted, progress with a private sector developer.

- 4.2 Following the successful Local Pinch Point funding application by SCC, the start of the construction for Beacon Business Park is imminent with 16th September being the anticipated start date. Construction is due for completion by the end of March 2014 thence releasing 50 acres of employment land for development

5. **Update on Financial Programming**

- 5.1 The following table shows the current balance of the Growing Places Fund Capital.

Table 1 – Growing Places Fund Capital Programme		
Activity	Total received	Total Allocated
GPF available to projects	£10,593,422	
Round 1 (3 projects)		£3,918,000
Round 2 (2 projects)		£1,585,000
Round 3 (3 projects)		£3,408,710
Total		£8,911,710

- 5.2 Due to the revolving nature of the Growing Places Fund, investment then repayment sometimes with interest, identifying an under/over allocation is no longer appropriate. A more robust system is to report the forecast minimum level of funds available. Currently, this minimum point is Q3 2015/16 when £2,769,599 is available. This represents the maximum available for Round 4, the bidding window for which will close on 25th October.

Stoke-on-Trent and Staffordshire Local Enterprise Partnership
Executive Group
13th October 2016

Confidential – Smithfield Hotel – Amended Proposal

1.0 Introduction

1.1 The purpose of this report is to update the Executive Group on progress in the development and funding of a new hotel at “Smithfield” in the City Centre of Stoke-on-Trent. It sets out the background and seeks the Executive Groups view on the improved proposal.

2.0 Recommendations

2.1 It is recommended that;

- i. The Executive Group considers the report and appendices.
- ii. Subject to the clarification of state aid, the financial profile, and an agreed overage share arrangement as detailed in section 4.0, the offer of a loan of £4m be amended to a grant for a maximum of £2.95m.
- iii. The City Council in conjunction with the developer is asked to provide the clarification requested at the earliest opportunity.

3.0 Background

3.1 In May 2014 Genr8, the developer of the Smithfield area within Stoke on Trent City Centre applied to the SSLEP for a £4m loan from Round 5 of the Growing Places Fund to support the construction of a 120 bed Hampton by Hilton Hotel.¹ This application was considered at your meeting on the 11th September 2016 and approved subject to a set of conditions as follows;

- i. An independent due diligence review of the proposal to validate the application and its assumptions*
- ii. The resolution of the security requirements set out in 3.1 and 3.2*
- iii. The repayment and investment risks being managed in accordance with the principals set out in 3.3 to 3.6*
- iv. Milestones specified in the final approval*
- v. Any shortfall in this scheme not adversely affecting the funding available for projects elsewhere in the LEP area.*

3.2 To answer (i) SCC on behalf of the LEP secured advice from Grant Thornton on the assumptions made by the developer in forecasting the performance of the hotel. Following consideration of this report Staffordshire County Council as the Accountable Body and the SSLEP wrote to the applicant – Genr8, and Stoke-on-Trent City Council setting out the terms on which a loan for the scheme could be approved. The letter is included as appendix 1. As will be noted the major concern related to State Aid and loan requirements. A maximum loan of 40% of the end value of the project was specified.

¹Executive Group Meeting 12th June 2014

3.3 In February of this year the City Council advised the Executive that following further discussions with Genr8 the applicant had identified that a sum of less than £4m would be required but that ideally this should be in the form of a grant.² Subsequently the City Council provided the SSLEP and Staffordshire County Council with an opinion from counsel³ that a state subsidy of £2m, £1.5m from SSLEP would comply with State Aid requirements.

3.4 The City Council has subsequently engaged in negotiations with Hilton which has resulted in an improved proposal for a full service Garden Inn Hilton Hotel.

4.0 Garden Inn Proposal

4.1 The City Council has prepared an updated proposal for the scheme which is included as appendix 2. The increase in the quality of the hotel on offer has resulted in an increase in the development costs to £17m. However this will result in the construction of a much improved facility which will provide a full service to its customers and act as a demonstration of the ambition for the development of the City Centre and support the cultural offer. In recent discussions with local businesses the quality and supply of the hotel offer in the area remains a concern.

4.2 The City Council is seeking a £2.96m grant from the Growing Places Fund for the scheme in conjunction with a £4.55m loan from it at commercial rates. The value at completion is £2.69m less than the development costs.

4.3 The SEP has the creation of a Core City as one of its objectives and discussions with the business community repeatedly raise the need for growth in the number of hotel bed spaces. The Executive group has previously agreed that the proposal to develop an hotel at Smithfield has a strong fit with the LEP's aspirations. The caveats that have been applied revolved around financial and state aid issues.

4.4 The paper provided by the City Council as appendix 2 has been compiled by it taking into account the development costs and valuation assumptions.

4.5 In considering the revised proposal the Group needs to consider the following points.

Strategic Principle

4.6 As set out in 4.3 and in appendix 2 there is a considerable body of evidence of the need for and catalytic impact of investment in a new hotel.

State Aid

4.7 SCC and SSLEP have been concerned to ensure that any grant or loan is compliant with the requirements of State Aid. Opinion provided by the City Council previously suggests that the investment will be compliant but two areas need to be confirmed;

- That Genr8 satisfy the requirements to ensure that it can be regarded as an SME for the purposes of State Aid and,
- That the previous counsel advice is for a grant of £1.5m. It would be prudent to have counsel's opinion updated to reflect the new scenario.

Finance

² Executive Group 11th February 2016

³ Anthony Verduyn 4th March 2016 Reference 599955

- 4.8 The Growing Places Fund operates as a revolving loan fund and it will be necessary to phase expenditure in accordance with the availability of reserves. The City Council has indicated that it is willing to re-phase the grant contribution to the Etruria Valley scheme to ensure that the expenditure matches the available funds.

Returns

- 4.9 The rationale for LEP investment is that it will be catalytic in delivering our shared ambition for Stoke-on-Trent City centre. As evidenced by the previous work the prediction is that the value at stabilization will be lower than the sums invested. However, it would be prudent to agree with the developer a mechanism for the return to the GPF of an appropriate proportion of any additional profit should the value at stabilization exceed the investment in the project.

**STOKE-ON-TRENT AND STAFFORDSHIRE
LOCAL ENTERPRISE PARTNERSHIP
EXECUTIVE GROUP MEETING**

15th October 2015 - CONFIDENTIAL

**Report of the Chair of the Strategic Funding & Finance Group
and Financial Officers**

**Growing Places Fund Round 7 – Review of Applications
Received**

1. Introduction

- 1.1 The principal of the fund is that it is used to unlock development that would otherwise not occur. Applicants are required to provide security of the investment and repay it within a defined period. Applicants are charged interest where necessary for state aid purposes and due diligence and legal costs are borne by the revenue funding allocated to the LEP. The Growing Places Fund (GPF) programme is operated as a series of rounds within a defined set of criteria which are set out on the LEP's website and in the application material.
- 1.2 Overall, 31 applications have been made, 17 have been approved but 12 were withdrawn by the applicants for their own business related reasons. Therefore there are 5 active projects (currently proposing to loan a total of £8.235m from the GPF). Round 7 elicited 3 applications, these are as follows:
- (1) Dunston Business Village extension – 'The Island';
 - (2) Lichfield South Office Campus. Access & on site infrastructure and plateau remediation/creation works;
 - (3) London House student accommodation
- 1.3 All three schemes have been reviewed by the Growing Places Fund Group and all should have passed the due diligence appraisal by the meeting of the LEP Executive Group.

2. Recommendations

The Executive Group is recommended to consider these applications and whether it wishes to approve the investment of the requisite sums of Growing Places Fund money into the schemes.

Final approval is subject to satisfactory completion of the final elements of the due diligence appraisal and the separate legal agreements supported by the loan security arrangements.

3. Background

3.1 The details of the three schemes are as follows:

(1) Dunston Business Village extension – ‘The Island’

Applicant scheme description: The continued development and expansion of Dunston Business Village, through the creation of 16 additional log cabin offices. 12 will be on a raised platform [The Island] which will not only give car parking and storage underneath but will also allow the cabins to have unrivalled views over the adjacent countryside.

Scheme outputs: 19,200 m² of high quality office floor space

Scheme outcomes: anticipated 160 jobs

Requested investment: £730,000 (50% of total scheme)

Note. The first phase of the GPF supported scheme has been completed and over 200 people are now based in those log cabin offices.

(2) Lichfield South Office Campus. Access & on site infrastructure and plateau remediation/creation works

Applicant scheme description: Infrastructure works including A5127, A5 and site access roadworks. Plateau re-profiling, remediation works across the subject site and delivery of utilities all scheduled for completion May 2016. Ultimately the catalyst for development of 12,500m² of Grade A Headquarter Office Buildings, providing a critical mass for retention of key employers in Lichfield, attracting significant inward investors.

Scheme outputs: 4 hectares of development plateau with supporting infrastructure

Scheme outcomes: 1,350 jobs

Requested investment: £922,500 (50% of total scheme)

(3) London House student accommodation

Applicant scheme description: The project will comprise the development of a children’s play-centre located in the centre of Stoke-on-Trent. This will involve the demolition of the existing building and the construction of a new purpose built student block. The property will hold a total of 122 self-contained student studios. The expected date of completion is September 2017.

Scheme outputs: 122 self-contained student studios

Scheme outcomes: 4 jobs, significant student expenditure in local facilities

Requested investment: £1,062,500 (25% of total scheme)

Note. This is the second phase of student accommodation to be provided within the development. It is catering for the more affluent students who require higher-end accommodation; for example, international students.

4. **Update on Financial Programming**

- 4.1 The following table shows the current balance of the Growing Places Fund Capital.

Table 1 – Growing Places Fund Capital Programme		
Activity	Total received*	Total Allocated
GPF available to projects	£10,720,652	
Round 1 (1 project)		£2,400,000
Round 2 (2 projects)		£1,585,000
Round 3 (1 project)		£750,000
Round 4 (0 projects)		£0
Round 5 (1 project pending approval)		£4,000,000
Round 6 (0 projects)		£0
Total		£8,735,000.00

* includes interest on Capital sum

- 4.2 Due to the revolving nature of the Growing Places Fund, investment then repayment sometimes with interest, identifying an under/over allocation is no longer appropriate. A more robust system is to report the forecast minimum level of funds available. Currently, this minimum point is Q2 2017/18 when £1,876,000 is available. This represents the maximum available for Round 8, the bidding window for which will close on 23rd October.

5. **Update on Approved schemes**

- 5.1 The following table shows the current position with the approved schemes.

Table 2 – Approved scheme progression	
Scheme (Capital)	
Etruria Valley, Etruria.	On-going liaison with the Applicant (Stoke City Council) regarding the legal contract.
Dunston Business Village. Phase 1, Penkridge	Scheme complete and operational
Leekbrook Industrial Estate Extension, Leek	Applicant advises that scheme start on site is imminent
HellermannTyton Design & Logistics facility, Cannock	Scheme 3 months into construction.
Hampton By Hilton Hotel, Smithfield, Hanley	Outstanding legal issues for applicant to resolve.
Scheme (Revenue)	
Stoke District Heating Network	On-going liaison with the Applicant (Stoke City Council) regarding the legal contract.

5.

Item 12

**Stoke-on-Trent and Staffordshire
Local Enterprise Partnership**

Executive Group

Thursday 21st July 2016

Sub Group and Policy Group Updates

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Report of the Chair of the Strategic Funding & Finance Group
Growing Places Fund Round 9 – Review of Applications
(Confidential)

1. Introduction

- 1.1 The principal of the fund is that it is used to unlock development which requires short term loan financial support to be made financially viable.
- 1.2 Round 9 elicited 9 eligible and a series of non-eligible enquiries. As usual, site meetings were held with all the prospective applicants from the eligible schemes. All applicants underlined the need for the availability of funding of this nature but also the caveat that the vagaries and volatility of the commercial sector was causing forward planning problems. For whatever reason, applications were only received for the following three schemes:
- (1) Caverswall Castle, Caverswall, Staffs Moorlands
 - (2) Omicron Training Centre, Stafford
 - (3) Oak House Residential Care Home, Stoke
- 1.3 All three schemes have been reviewed by the Growing Places Fund (GPF) Group and passed both the Stage 1 application process and the interview stage. The Oak House Residential Care Home has passed the Stage 2 appraisal.
- 1.4 Diary pressures have caused a setting aside of the normal timetable with the GPF group working to the applicant's preferred timescale within reasonable constraints.

2. Recommendations

- 2.1 The Executive Group is recommended to consider the application from Shelton Care Ltd for the Oak House Residential Care Home project and whether it wishes to approve the investment of the requisite sum of GPF funds into the scheme. This approval is subject to satisfactory completion of the final elements of the due diligence appraisal and the separate legal agreements supported by the loan security arrangements.
- 2.2 The matter in Section 4.1 be accepted.

3. Background and scheme details

- 3.1 The details of the three schemes are as follows:
- 3.2 Caverswall Castle. Boutique & spa hotel

Applicant scheme description: Car parking and ancillary works to support the conversion of this 13th century moated castle into a boutique hotel and

health & wellbeing spa. Also further facility acquisition and conversion to support further leisure use and associated accommodation.

Scheme outputs: A spa treatment centre with associated infrastructure, 18 guest bedrooms in the castle of 4 or 5 star standard and a discretely located luxury log cabin/glamping facility.

Scheme outcomes: anticipated 30 jobs

Requested investment: £490,000 (50% of total scheme)

Note. As explained in the previous report, the scheme had been submitted for Round 8 then withdrawn by the applicant as the project development was insufficiently advanced. This project would create facilities unique to Staffordshire but the applicant has been permitted extra time prior to submitting a Stage 2 application due to the requirement to focus on the resolution of planning difficulties which could undermine the scheme.

3.2 Omicron Ltd, Stafford. A new training centre

Applicant scheme description: Creation of a national centre for training on the testing of high energy electrical generation and transmission equipment.

Scheme outputs: 750m² of training facility and office accommodation

Scheme outcomes: 5 direct jobs and 200 Electrical Engineers trained per annum

Requested investment: £800,000 (50% of total scheme)

Note. This application has undergone significant analysis due to the low job creation and the fact that half of the development would be for non-training related uses. Countering this aspect is considerable usage of local facilities (hotel accommodation, taxis, etc) used by the trainees during their week-long training. The company trains a notable proportion of Engineers from local major employers, e.g. GE, GTDS & Siemens so is of significant local importance. Balancing these aspects, the GPF group proposed a lower offer - £400,000 (25% of the scheme total). Omicron has responded positively despite the reduced offer and is close to submitting a stage 2 application.

3.3 Shelton Care Ltd. Oak House Residential Care Home

Applicant scheme description: Redevelopment of a former public house to provide an eight bed CQC registered residential care home for people with learning disabilities.

Scheme outputs: 5 single occupancy flats & 1 three bed shared flat

Scheme outcomes: anticipated 40 jobs

Requested investment: £220,000 (32% of total scheme)

Note. The scheme has passed the Stage 1, Interview & Stage 2 processes with ease. The due diligence work is due to start on Friday 15th July but no difficulties are expected. The job creation will cover a range of personnel from a Registered Manager to more than 30 support workers.

4. Additional GPF matters

4.1 Leekbrook Industrial estate extension scheme, Staffs Moorlands

In November 2012, Newby Developments Ltd applied for GPF support for the extension of the Basford Lane Industrial estate, Leekbrook, Leek and £1m was allocated. Due to a lack of progression, in December 2014 the GPF group set a deadline requiring a substantive start on site by 31st May 2015 or incur a 50% de-allocation. A site inspection in early June revealed no progress on site so the partial de-allocation was instigated.

Again, due to a lack of progression, the developer was invited to make a presentation to the GPF group in November 2015 to explain the issues. The applicant explained that the issue has been the inability to secure planning permission. Information was received subsequently that the scheme was due to go to Planning Committee in January 2016. With this date in mind, as well as the desire to ensure the Growing Places Fund money wasn't locked up for an excessive period, a final guillotine for complete de-allocation was set requiring a substantive start on site by 30th June 2016.

A site visit was held on 4th July 2016 which confirmed no work had taken place. Whilst complete de-allocation should be enacted in accordance with the previous Board approval, it is requested that a short stay of execution is permitted. If the funds were released through the de-allocation process, it would be of no benefit to the operation of the Fund. The next time the magnitude of fund availability is needed will be the start of the next bidding window. As this is 1st August, the LEP Executive is requested to defer the process of 'de-allocation unless a substantive start is made on the construction of the scheme' until 23:59 on 31st July 2016.

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