

Report to the Cabinet

Meeting to be held on Thursday, 12 April 2018

Report of the Head of LEP Co-ordination

Part I

Electoral Division affected:
Ribble Valley South West;
South Ribble East;

Samlesbury Aerospace Enterprise Zone Delivery Update

(Appendices 'A' and 'B' refer)

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Executive Summary

This report provides Cabinet with an update on the delivery of the Samlesbury Aerospace Enterprise Zone.

The report:

- provides information on the delivery of Phase 1 Infrastructure Works at Samlesbury Aerospace Enterprise Zone;
- seeks approval for the county council to serve an Option Notice to enable the drawdown of land for the spine road, drainage and ecological purposes and enter into legal agreements necessary to discharge the county council's planning obligations in relation to the provision of off-site ecological mitigation as identified in the Local Development Order) for the Samlesbury Aerospace Enterprise Zone; and
- provides Cabinet with an update on the proposed next stages of development at the Samlesbury Aerospace Enterprise Zone and also the marketing of the Zone and the Lancashire Enterprise Partnership's wider Lancashire Advanced Manufacturing and Energy Cluster initiative.

This is deemed to be a Key Decision and the provisions of Standing Order 25 have been complied with.

Recommendation

The Cabinet is asked to:

- (i) Authorise the serving of an Option Notice under an Option Agreement with BAE Systems' Operations Division and Pension Fund to allow the drawdown of 250 year leases of land for spine road, drainage and ecological purposes to

the county council for a total cost of £3.00.

- (ii) Authorise the county council, under the guidance of the county council's Directors of Corporate Services; Property Services; and Economic Development and Planning, to enter into such legal agreements necessary to secure the provision of off-site ecological mitigation, as per the county council's obligations within the Local Development Order dated 7 February 2014.

Background and Advice

In April 2012, following a competitive submission by the Lancashire Enterprise Partnership, Government awarded Enterprise Zone status to the Lancashire Enterprise Zone. The Zone included the Samlesbury and Warton sites of BAE Systems' Air Services Sector operations and aims to grow a national centre of excellence for advanced manufacturing and engineering building on Lancashire's position as the fourth largest aerospace cluster in the world.

In helping to deliver the Lancashire Enterprise Partnership's strategic ambition to reclaim Lancashire's position as a national leader for high value industrial activity, the Lancashire Enterprise Zone has the potential to create between 4,000 and 6,000 high value, high skilled jobs over its 25 year lifetime and create a further 5,000 to 7,000 in the local advanced manufacturing and engineering supply chain.

Since the awarding of Enterprise Zone status to the Lancashire Enterprise Zone, the Lancashire Enterprise Partnership has also been successful in securing Enterprise Zone status for the Blackpool Airport and Hillhouse International Sites. The three Zones (across four sites) are collectively referred to as the Lancashire Advanced Manufacturing and Energy Cluster and together combine to create an investor offer of Northern Powerhouse significance capable of supporting 10,000 new jobs in the advanced manufacturing, engineering, energy and chemical sectors.

The aim of Lancashire Advanced Manufacturing and Energy Cluster is to support the delivery of the Lancashire Enterprise Partnership's ambition to harness the power and potential of Lancashire's national industrial hotspots; key strategic sites, key clusters of high value activity; and internationally recognised centres of excellence in research and innovation. The four Enterprise Zone sites will link to, and support the growth of, the advanced manufacturing supply chain across Lancashire raising productivity levels and creating a significant asset which will be central to a Local Industrial Strategy for Lancashire.

The two sites of the original Lancashire Enterprise Zone - Samlesbury and Warton - have been renamed the Samlesbury Aerospace Enterprise Zone and Warton Aviation Enterprise Zone. Similarly, Blackpool and Hillhouse have been renamed as the Blackpool Airport Enterprise Zone and the Hillhouse Technology Enterprise Zone. This has taken place as part of the development of the Lancashire Advanced Manufacturing and Energy Cluster brand.

Enterprise Zone status affords two primary financial incentives; Business Rate Relief of a maximum of £275,000 over a five year period for eligible businesses and the

retention of Business Rate Growth by the local enterprise partnership over the lifetime of the Zone. It should be noted that Business Rate Relief is no longer eligible at Samlesbury and Warton, as eligible companies had to locate to the sites by 2013.

Simplified planning is also a key benefit of Enterprise Zones and both the Samlesbury and Warton sites now have the benefit of 10-year Local Development Orders in place, focusing on advanced manufacturing and engineering users. The Local Development Orders were adopted in February 2014 and November 2015 respectively for the Samlesbury and Warton sites.

The Samlesbury site, including the land designated as an Enterprise Zone, is in the ownership of BAE Systems' Pension Fund, with BAE Systems' Operations Division having a long lease for the site from the Pension Fund. In December 2014, the county council agreed to enter into an Option Agreement between the county council, BAE Systems' Pension Fund and BAE Systems' Operations Division, with the Option Agreement entered into on 25 May 2016 and subsequently varied on 29 September 2017. Appendix 'A' refers to this in more detail and is not for publication (Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.)

In order to ensure the Samlesbury site of the Enterprise Zone was delivered to achieve maximum economic impact, it was necessary to deliver public infrastructure works to unlock the site. In December 2014, the Leader and Deputy Leader of the county council authorised the Chief Executive and County Treasurer to finalise arrangements in respect of the county council borrowing a £10.5M loan to fund initial public infrastructure works. A further £1M was also agreed as a contribution from the county council's Capital Programme.

The initial public infrastructure works are now referred to as Phase 1 Infrastructure Works and have consisted of the delivery of two new access points into the site from the A59 and A677, a spine road through the site which will be a public highway, additional off-site highways, site segregation works, limited temporary utility infrastructure, lighting, first phase surface water drainage systems and on and off-site ecological mitigation.

The site segregation works, A59 and A677 access points and first phase surface water drainage systems have been completed. The spine road is in its final stages of completion as are the limited temporary utility infrastructure, additional off-site highways and on and off-site ecological mitigation activities. The spine road has been named Sir Frederick Page Way.

The final cost of the Phase 1 Infrastructure Works is currently being determined, with a number of costs now finalised and the remainder currently being agreed. Appendix 'B' refers to this in more detail and is not for publication (Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.)

The costs of the Works are circa £400,000 less than originally anticipated four years ago and this can be attributed to more accurate costs having been provided for works already completed or those close to completion. BAE Systems has also contributed £1.229m towards the site segregation costs and agreed an £80,000 contribution towards the access road to the Defence Logistics Facility.

As part of the Agreement signed between the county council, BAE Systems' Pension Fund and BAE Systems' Operations Division, it was agreed that BAE Systems' Operations Division would develop a high value logistics facility and new training centre with a combined footprint of circa 23,000 m². BAE Systems' Pension Fund would take a 23 year lease for both facilities.

In late 2016 and early 2017, the Academy for Skills and Knowledge and Defence Logistics Facility were both officially opened. The Academy for Skills and Knowledge is a £16m 7,400 m² building accommodating over 50 new and 60 existing BAE Systems' apprentices and 31 training and administration staff. The Defence Logistics Facility is a £15m 15,000 m² facility occupied by Wincanton and employing 150 staff. The buildings, which were funded and then leased for a 23 year period by BAE Systems' Pension Fund, will generate Business Rate Growth income of £13.5m to 2037-38. This is based on final valuation figures received for the two facilities from the Valuation Office.

The income generated from Business Rates from the Academy for Skills and Knowledge and Defence Logistics Facility facilities will be used to fund the proposed £10.1m borrowing incurred by the county council in delivering the Phase 1 Infrastructure Works.

In August 2014, agreement in principle was reached with the local authorities of Fylde, Ribble Valley and South Ribble in respect of the collecting of Business Rate Growth in the Lancashire Enterprise Zone. This is now being formalised through the production of a Business Rate Growth Agreement, led by the Head of Service for Lancashire Enterprise Partnership Co-ordination, with support from county council legal and finance officers, and the nominated Section 151 Officers for the three local authorities with Ribble Valley co-ordinating on behalf of the three district councils. It is anticipated that this document will be agreed and signed by the end of March 2018. In September 2014, the Lancashire Enterprise Partnership also agreed that first call on any Business Rate Growth generated by the Lancashire Enterprise Zone was to be given to the county council in respect of any borrowing to fund the delivery of Phase 1 Infrastructure Works.

As the county council is now concluding final works in relation to the spine road, first phase surface water drainage and on-site ecological mitigation, it is necessary for the county council to serve an option notice to BAE Systems' Pension Fund and Operations Divisions under the Option Agreement to enable the drawdown of land for these purposes. The cost for this land is £3.00 (three leases at £1.00 each) and has been included within the Phase 1 Infrastructure Works Cost Plan.

As referenced earlier in this report, the Samesbury Aerospace Enterprise Zone benefits from a simplified planning mechanism in the form of a Local Development

Order. The site itself is home to a number of wildlife habitats and species, including ground nesting birds and as a result within the Local Development Order, there is a Planning Condition which requires ecological measures to avoid, to mitigate or to compensate for any likely ecological impacts be submitted to the Local Planning Authorities for approval.

An Ecological Mitigation Statement identifying necessary mitigation and compensation measures was submitted to, and approved by Ribble Valley and South Ribble Borough Councils, in May 2015. The Statement identified the need to provide between 34 and 43 hectares of off-site replacement habitat for ground nesting birds.

Within the Statement, reference was made to sites on Lancashire County Council land at Midgeland Road, Blackpool and Mains House Farm, Preston having potential to provide the required habitat subject to detailed assessment.

Habitat suitable for Lapwing and Skylark is not widespread and has certain key attributes meaning that it cannot be easily located. In identifying potential land, consideration was given to the county council's own land holdings, to sites and schemes managed by the Royal Society for the Protection of Birds and to other landowners through the company Environment Bank.

A total of 8 sites were put forward as having potential to provide off-site mitigation. These sites were assessed by the county council's ecological advisor in terms of their ecological suitability and also considered in terms of cost.

Five of the sites identified by Environment Bank would each cost between £1.3m and £1.5m to purchase and manage and were subsequently found to be ecologically inadequate. The two Lancashire County Council sites at Midgeland Road and Mains House Farm were found to be unsuitable due to air safety concerns in the case of Midgeland Road (objection from Blackpool Airport) and ecologically and financially unsuitable in relation to Main House Farm.

The scheme proposed by the Royal Society for the Protection of Birds, which is at Warton Mires in Carnforth, is the only scheme identified that can be implemented, providing the highest ecological standards of all the schemes considered and is the cheapest deliverable option.

The habitat is circa 35 miles north of the Samlesbury Aerospace Enterprise Zone and is an area of grassland located near the River Keer. It is currently home to a small population of lapwing birds, Cetti's Warbler and Lesser Whitethroat to name a few which can be spotted in the area.

The Royal Society for the Protection of Birds, which has a strong track record in delivering enhanced habitat and bird numbers, has secured a Land Option for 32.64 hectares (80.67 acres) of the site. It is proposed that the county council provides funding up to a maximum of £500,000 from the Phase 1 Infrastructure Works to Royal Society for the Protection of Birds to support the acquisition of the site and for the Royal Society for the Protection of Birds to provide habitat required for ground-nesting birds for a total period of twenty-five years, with the county council entering

into legal agreements with the Royal Society for the Protection of Birds as necessary to enable this to happen.

The next stage of activity at the Samlesbury Aerospace Enterprise Zone is focussed on the production of a Development Appraisal for the site, which will include the identification of additional infrastructure to enable full delivery of the site, plot development and build costs, lease and rental costs and potential Business Rate income.

This will also include work to secure the next planned investment on the Enterprise Zone site which is the establishment of the Advanced Manufacturing Research Centre NW. The Advanced Manufacturing Research Centre NW, which has received a £17.2m funding allocation from Lancashire's £320m Growth Deal programme, will be an applied research centre, providing the tools, technologies and techniques required by Lancashire and North West manufacturing companies to compete in today's global markets. It will be an iconic facility, providing a collaborative environment, incorporating workshops, labs, office, meeting rooms, and shared classroom/conference space in a flexible and reconfigurable environment. The facility will be open by September 2019, with the Advanced Manufacturing Research Centre operating from interim facilities at the University of Central Lancashire from June 2018.

The establishment of the Advanced Manufacturing Research Centre NW has been designed to link with national growth objectives and initiatives, including Enterprise Zones and national Catapult Centres, and will enable Lancashire to develop its industrial capability and capacity through the development of local and national innovation strategies and Enterprise Zone programmes to re-establish Lancashire as a national economic leader in advanced manufacturing, maximising the area's clear competitive strengths and assets in the aerospace, automotive, energy and health science sectors.

The opportunity to establish a North West facility of the Advanced Manufacturing Research Centre also cements Lancashire and Sheffield City Region's cross-boundary collaboration and success in securing national SIA status with Government – a genuine expression of Northern Powerhouse collaborative working.

Finally, the Lancashire Enterprise Partnership is currently developing the necessary website and marketing collateral to promote the Lancashire Advanced Manufacturing and Energy Cluster initiative, including websites for the four individual Enterprise Zone sites and professional marketing collateral. This is anticipated to be launched in late March and is part of this positioning in the marketplace.

Consultations

N/A

Implications

This item has the following implications, as indicated:

Risk management

This report provides an update on the delivery of the Samlesbury Aerospace Enterprise Zone site.

A Cost Plan has been produced for the Phase 1 Infrastructure Works with a maximum sum of £11.133m identified to cover the Works. The costs of the Works are circa £400,000 less than originally anticipated and this can be attributed to more accurate costs having been provided for works already completed or those close to completion. The Cost Plan will be managed to ensure that it does not exceed the identified spend.

A risk register for this scheme will underpin the project team's ability to provide timely and reliable reporting.

Financial Implications

The business rates income generated over 20 years of £13.5m is sufficient to repay the capital and interest with annual payments being made over the 20 years. There is little risk of loss of this income as the units are let to secure tenants.

The Lancashire Enterprise Zone Enterprise and Governance Committee will oversee the future units on the site and will have governance over repayment of this debt to the county council.

List of Background Papers

Paper	Date	Contact/Tel
None		

Reason for inclusion in Part II, if appropriate

Appendices 'A' & 'B' only - (Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.