Report to:	Performance & Investment Committee
Subject:	Enterprise Zone Investment Cases
Author:	John Adlen
Date:	November 2018

1. Purpose

This paper presents proposals for four investments in the Cheshire Science Corridor Enterprise Zone that have been approved by the Enterprise Zone Board. The investments, totalling £3.84m, would create 23,127 sq m (248,936 sq ft) of new commercial floorspace in the Enterprise Zone, generating c.£422k per annum in retained business rates and £9.28m over the remaining lifetime of the EZ. In addition, the investment in the New Bridge Road substation will facilitate the development of a further 73,349 sq m (790k sq ft) of new commercial floorspace outside the EZ, securing the a £70m investment from Progroup and reserve 3.4 MVA of electricity capacity for use on EZ sites in New Bridge Road.

2. Recommendations

That the Performance & Investment Committee ratifies the decision of the Enterprise Zone Board to approve the following investments:

(a) Helix Business Park Phase 2 (£669,347)
(b) Aviator Phase 1 (£1,701,418)
(c) Rhino Newport (£792,670)
(d) New Bridge Road Substation (£676,675)

3. Helix Business Park Phase 2

Gaerwen Properties Limited is seeking an investment of £669,347 to deliver a £3.3 million project to develop a phase 2 scheme at Helix Business Park (Ellesmere Port), comprising three industrial units totalling 3,705 sq m (39,882 sq ft). The scheme could generate c.£67k per annum in retained business rates, providing a payback of c.10 years and potentially generating up to £1.47m in retained business rates over the next 22 years. A copy of the business case is attached as **Appendix A**.

The need and rationale for public sector support is demonstrated by the lack of financial viability evidenced within the development appraisal for units of this scale. Phase 1 of Helix Business Park was only made viable by an ERDF grant of £1.4m. Whilst there has been some local recent speculative development delivered without public support in the area, this was of a more viable scale and specification and was delivered by the developer over a long period with minimal external finance and via an in-house construction arm. The applicant has submitted a market assessment from regional property agent Legat Owen which indicates a shortage of supply of good quality industrial floorspace within the 10,000 to 30,000 sq ft range as evidenced by recent transactions at Cloister Way and Helix Phase 1, which was fully occupied prior to practical completion. A development appraisal has been submitted evidencing a gap in financial viability, which has been appraised by Cushman & Wakefield. As such the demand and need case for the project is considered clear.

Following negotiations with the developer, the development costs for the scheme have been substantially reduced by the removal of developer's profit, lower finance on the Director's Loan and lower agency fees. This demonstrates significant willing on the part of the applicant. Evidence is provided to support the cost and value assumptions identified, which are now considered to support the identified gap as the minimum cost to the LEP.

Overall, Helix Phase 2 provides a good case for EZ investment. The scheme provides a good strategic fit with the aims and ambitions of the EZ Board as set out in the EZ Development & Investment Strategy. Development of Helix Phase 2 will maintain the momentum of development in Ellesmere Port, with the continued provision of high quality industrial floorspace, which will be key in maintaining and growing market confidence in the area. Despite recent development in Ellesmere Port, the market is still not strong enough to support speculative development without some form of public intervention. The project does represent a relatively long payback period compared with other EZ Board investments. However, the applicant has made a significant effort to reduce the costs and the viability gap of the scheme in order to reduce the 'ask' from the EZ.

An Investment Agreement has been drawn up by DWF acting for the LEP and the term sheet setting out the key commercial terms in the legal agreement is attached as **Appendix B**. Of special note, is the fact that the applicant will only draw down the investment from the LEP at Practical Completion (PC) of the scheme, which removes the risk of non-completion or underperformance to the LEP and negates the requirement for a company or personal guarantee as business rates liability are triggered at PC.

4. Rhino Newport

Andrews 4 Property Limited is seeking an investment of £792,670 to deliver a £6.1m project to develop a 7,822 sq m (84,196 sq ft) manufacturing/warehouse facility and offices for as a new HQ for Rhino Products Limited at Newport Business Park. The scheme could generate c.£146k per annum in retained business rates, providing a payback of c.5.4 years and potentially generating up to £3.21m in retained business rates over the next 22 years. A copy of the business case is provided as **Appendix C**.

Andrews 4 Property Limited is currently in advanced negotiations with Cheshire West & Chester Council to purchase a 1.56 ha site at Newport Business Park in Ellesmere Port. Andrews has secured a pre-let of a 7,822 sq m (84,196 sq ft) manufacturing/warehouse facility and offices the proposed unit by Rhino Products Ltd, a manufacturer and supplier of roof racks and accessories for commercial vehicles who are currently headquarted in Deeside. The proposed new facility will become Rhino's new European headquarters with the Deeside facility being retained and used for more 'dirty' manufacturing processes. Rhino's key aim is to improve their market image to a high quality 'German' style operation. The proposed new facility will help achieve this by providing a new purpose-built headquarters with high quality office, back of house space, manufacturing and distribution accommodation.

Although, Andrews has secured a pre-let, there remains a gap in the project's financial viability. This is because of the prevailing market rents in Ellesmere Port are not high enough to cover the build costs of schemes and commercial lenders are unwilling to take a risk on speculative schemes. In this case, the terms of the pre-let are not sufficient to create a viable scheme, namely the length of lease (10 years with a 5 year break clause) and the rental level (£5 per sq ft) with a 6-month rent free period, which pushes the yield for the scheme up to 7%, which in turn impacts on the viability of the scheme. Cushman & Wakefield has appraised Andrews development appraisal and are satisfied that the specification, site acquisition costs, build costs, values, developers profit (10%) and yield are all reasonable for a scheme of this nature.

Overall, the new Rhino facility at Newport Business Park makes a good case for EZ investment. The scheme provides a good strategic fit with the aims and ambitions of the EZ Board as set out in the EZ Development & Investment Strategy. Development on Newport Business Park will maintain the momentum of development in Ellesmere Port, with the continued provision of high quality industrial floorspace, which will be key in maintaining and growing market confidence in the area. The project would also attract a high value manufacturer into Ellesmere Port, creating 80 new high value jobs and represents a very reasonable payback period of 5.4 years.

An Investment Agreement has been drawn up by DWF acting for the LEP and the term sheet setting out the key commercial terms in the legal agreement is attached as **Appendix D**.

5. Aviator Phase 1

Redsun Projects Ltd is seeking an investment of £1,701,418 from the EZ to deliver a £10.79m project to bring forward the delivery of Aviator Phase 1, an 11,600 sq m (125,044 sq ft) industrial unit at Hooton Business Park in Ellesmere Port. The scheme could generate c.£209k per annum in retained business rates, providing a payback of 8.1 years and potentially generating up to £4.59m in retained business rates over the next 22 years. A copy of the business case is attached as **Appendix E**.

Hooton Park is a vacant site situated on the North Road Industrial estate, adjacent to the Vauxhall Motors car assembly plant. The site has been in public ownership since the 1980s and many previous attempts at generating development on the site have failed. Redsun Projects Ltd exchanged a conditional contract with Homes England in December 2017 to acquire and develop the site. Redsun have committed significant resource to the site to date to bring it to a stage where it can be positively presented to the occupational and funding market.

Redsun are seeking to deliver a high quality speculative development of a single 125,000sqft industrial unit. Whilst Ellesmere Port has many factors that make it attractive to prospective occupiers, such as good transport connections and access to a large and skilled labour market, it lacks readily available high quality commercial stock. The lead-in time for a design and build development is circa 12-15 months. However, footloose occupiers are often seeking new premises with a much shorter lead-in time. There is a clear demand for the project as evidenced by the Knight Frank Marketing Report provided by the applicant, which demonstrates good take-up of similar scale units across the region alongside a shortage in available high-quality supply.

The LEP and Cheshire West & Chester Council have been in discussions with Redsun for a number of months regarding supporting speculative development at Hooton Park. These discussions have included exploring a Put Option on the 125,000 sq ft unit, which after extensive due diligence and appraisal by Cushman & Wakefield, concluded that this route was too risky for public sector partners, after which we have resorted to a more traditional 'gap funding' model in order to kick start speculative development on site.

Overall, the proposed development at Hooton Park would make a good investment for the EZ. The scheme provides a good strategic fit with the aims and ambitions of the EZ Board as set out in the EZ Development & Investment Strategy. The proposed development would kickstart development at Hooton Park, a site which has remained undeveloped in public ownership for over 30 years. The project would provide a large industrial/logistics unit able to attract footloose occupiers at a regional, national and even international level, creating c. 150 new jobs.

An Investment Agreement has been drawn up by DWF acting for the LEP and the term sheet setting out the key commercial terms in the legal agreement is attached as **Appendix F**.

6. New Bridge Road Substation

This is a proposal for the LEP to invest £676,675 to enter into an agreement with Peel Land & Property to in the New Bridge Road area of Ellesmere Port in order to remove a key development constraint on the remaining Enterprise Zone (EZ) development sites in the area and facilitate the development of a new £70m paper manufacturing plant on the former Cabot Carbon site investment (not in the EZ).

Last year the LEP and Cheshire West & Chester Council (CWAC) entered into discussions with Progroup, a German paper products manufacturer regarding their relocation to the former Cabot Carbon site. The site is owned by Peel Land & Property and is adjacent to a number of Enterprise Zone (EZ) sites in Ellesmere Port. A key issue for Progroup is the provision of power into the Cabot Carbon site and they have a requirement for a total of 6.6MVA for their new facility.

At the same time, we have a number of Enterprise Zone (EZ) sites in the New Bridge Road area that require power supply into them to make them viable for development. The LEP commissioned Ove Arup and Partners to undertake a power capacity study for the New Bridge Road area which identified that we need c. 1.7MVA to service the remaining EZ sites in the area. CWAC are also aware that there is a general issue with power capacity in the Cheshire Oaks and New Bridge Road area, with a number of existing businesses reporting power issues.

Peel Land & Property are proposing to purchase a 10MVA primary substation which will provide sufficient power to meet Progroup's requirements for 6.6MVA on the Cabot Carbon site. The proposal is for the LEP to enter into an agreement with Peel Land & Property to reserve access to the additional 3.4MVA of power capacity from the substation for use on the EZ sites, with any spare capacity thereafter made available for expansion of existing businesses or new development projects in the wider New Bridge Road area. The full Business Case is attached at **Appendix G**.

The original business case for this investment was considered and approved in-principle by the LEP's Strategy Committee in October 2017 as it was proposing to utilise Growing Places Fund (GPF) and was dealing with an investment that included a site outside of the Enterprise Zone. LEP officers have been negotiating the necessary legal agreements with Peel Land & Property and LEEP (Peel's utilities company) and the investment was taken to the July 2018 EZ Board for approval. The term sheet summarising the draft legal agreement and setting out the key commercial terms is set out in **Appendix H**.

7. Benefits

The aggregate benefits for the four investment projects are set out in the table below:

Project	New Commercial Floorspace (Sq m)	Brownfield Land Reclaimed (Ha)	New Businesses	New Permanent Jobs	Gross Value Added (£ ,000)	Annual Retained Business Rates (£,000)	Total Retained Business Rates (£,000)	Private Sector Leverage (£,000)
Helix Phase 2	3,705	1.15	3	103	4,120	67	1,474	3,314
Rhino Newport	7,822	1.56	1	80	4,940	146	3,212	6,187
Aviator Phase 1	11,617	3.00	1	150	5,980	209	4,598	10,786
New Bridge Road Substation	73,349	18.40	5	140	5,580	N/A	N/A	70,000
Total	**96,493**	**24.11**	**10**	**473**	**20,620**	**422**	**9,284**	**90,287**

The investments will generate a total of 96k sq m (1m sq ft) of new commercial floorspace in Ellesmere Port. Approximately, one quarter (23,144 sq m) of this will be developed on Enterprise Zone sites, generating £422k per annum in retained business rates and £9.2m over the lifetime of the EZ. In addition, the investment in the New Bridge Road substation will see a further 73k sq m (790k sq ft) of new commercial floorspace, securing the long-term presence of Progroup within the Cheshire Science Corridor, a major existing manufacturer in Ellesmere Port and facilitates their expansion, safeguarding existing jobs, creating new jobs and attracting direct investment of c.£70m. The Progroup manufacturing plant will facilitate the creation of indirect and induced jobs and spend in the supply chain, including in the construction phase of the project but also in terms of the co-location of a number of Progroup's customers. The investment in the New Bridge Road substation also removes a key development constraint for the remaining EZ sites in the New Bridge Road area.

8. Risks

The aggregate risks for the four investment projects are set out in the table below:

Risk		Impact	Likelihood	Mitigation
1.	Estimated level of retained business rates not achieved	Would impact on the ability of the LEP to repay funding.	Low	Developers are required to provide detailed and realistic estimates of Rateable Values for their schemes, which are assessed by our retained property advisers. We also have good VOA data on sites in the EZ to benchmark against.
2.	Developers do not deliver projects on time or on budget	Delays in completion of schemes would impact on level of retained business rates, whilst budget overruns would further increase the viability gap on schemes.	Moderate	Rigorous due diligence process which assesses the track record and financial standing of the developer, key milestones and targets set within the legal agreement and monitoring against monthly draw down of EZ investment, with progress checked by building surveying team of our retained property advisers. EZ investment capped at agreed level regardless of any cost overruns. Helix Scheme will only drawdown EZ investment on PC.
3.	Schemes do not achieve practical completion, which does not trigger the payment of business rates	Would impact on the ability of the LEP to repay funding.	Moderate	A longstop completion date is set within the legal agreement, with clawback penalties for under-performance.
4.	Developers deploy rate mitigation schemes to avoid empty rates	Could reduce empty rates payable to 25%, would impact on the ability of the LEP to repay funding.	Low	A 'no rate mitigation' clause is built into the EZ investment legal agreement.

Risk		Impact	Likelihood	Mitigation
5.	Schemes do not attract occupiers	Limited impact as developers still have to pay empty rates	Low	Market demand is a key test in the EZ investment business case, developers must provide an independent market report/analysis, which is reviewed by our retained property advisers.
6.	Investments are not deemed to be State Aid compliant	Limited impact as the risk on State Aid sits with the developer	Low	All applicants provide a State Aid opinion as part of the legal agreement, which is assessed by the LEP's legal advisers. Clawback provisions in the EZ investment legal agreement are triggered by any State Aid breach.

9. Funding

The LEP is currently in discussions with the three local authorities to create a £30m borrowing facility, funded via local authority borrowing from the Public Works Loan Board, to fund the EZ investment pipeline. This borrowing will be repaid through the retained business rates generated. Once the initial debt is repaid, the retained business rates from these schemes will revert into a sub-regional investment fund to be reinvested back into economic development projects in the sub-region.

At this stage, we are seeking approval from the P&I Committee for the four individual investments on the basis of value for money and the long-term return on investment for the LEP and to proceed with the process of finalising the necessary legal agreements so that we can move quickly once we have secured the funding facility from the three local authorities.

10. Conclusions and recommendations

Overall, the four investment cases approved by the EZ Board represent a good investment for the Enterprise Zone. They fit with the vision, strategic objectives and investment priorities set out in the EZ Development and Investment Strategy and provide a good ROI in terms of retained business rates and wider economic benefits to the Cheshire Science Corridor and sub-region. It is, therefore, recommended that the Performance & Investment ratifies decision of the EZ Board to make the following investments:

(a) Helix Business Park Phase 2 (£669,347)
(b) Aviator Phase 1 (£1,701,418)
(c) Rhino Newport (£792,670)
(d) New Bridge Road Substation (£749,285)

CHESHIRE SCIENCE CORRIDOR ENTERPRISE ZONE

Business Case for Guidance for Retained Business Rate Investment Support

Introduction

The Site Specific Development Plans and the overarching Development and Investment Strategy[1] has identified challenges which need to be overcome generally or specifically in respect of sites in the Enterprise Zone. The current list of potential investment projects is identified in Table 6.1 of the Development and Investment Strategy. For those projects identified in the Strategy or others that emerge which meet its objectives, a Business Case will need to be made through engagement with the CSC Growth Director and completion of a Business Case Template.

Timescale

Completed business cases can be submitted at any time to respond to your business need. The period to appraise the business case will depend upon its complexity but every effort will be taken to determine them as speedily as possible.

Business Case Process

The process for preparing, submitting and reviewing a business case is summarised below:

Pre-Submission	▪ Early engagement with the CSC Growth Director about projects identified in the Development and Investment Strategy or other projects that meet EZ objectives
Business Case Preparation	▪ Preparation of Business Case and supporting evidence
Submission	▪ Completed Business Case and supporting evidence to be submitted to CSC Growth Director ▪ CSC Growth Director to review the business case and ensure all required information has been submitted
Review	▪ Technical review including appraisal of business case against agreed criteria ▪ Consideration of business case and review of EZ Steering Group
Sign Off	▪ As appropriate – confirmation from landlord / council regarding match funding / financial scheme ▪ Recommendation to be considered and approved by EZ Board

Preparing Your Business Case

It is anticipated that in working up your project and in advance of submitting your completed business case all applicants will engage with the CSC Growth Director. He will liaise with partners to clarify what

[1] Insert link to the website

will be required in the business case and what evidence needs to be submitted to support your case. He will signpost applicants to other partners who may be able to provide support in preparing the necessary evidence. This stage will focus on understanding the nature of the project, the need for public intervention and the nature of investment support being sought and whether alternative sources of funding are more appropriate or could also be accessed.

Submission Process

Completed business cases should be submitted to john.adlen@871candwep.co.uk. The CSC Growth Director will undertake an initial review of the business case/supporting evidence and ensure that the submission is complete.

Review Process

- **The Business Case Review Team –** the appraisal process will involve the following people/ organisations - the CSC Growth Director, EZ Steering Group, EZ Board and relevant departments of the local authorities as appropriate to the specific business case
- **Technical Review** – if required will be undertaken by an external independent appraiser who will assess the business case against the agreed criteria (see below)
- **Financial Support** – where relevant the business case will need to include evidence of commitment of funding from other partners such as a local authority if they are supporting the case financially for example through prudential borrowing
- **Approval** – this will include a recommendation from the Steering Group which will be considered by appropriate local authority committees (as relevant), the EZ Board, LEP Performance and Investment Committee for sign off and the LEP Board for ratification.
- **Appeal** - The decision to make an award is discretionary on a case by case basis. Requests for appeal should be made in writing to the LEP no later than one month after the date of the determination. Appeals will be considered by the relevant local authority in line with its own appeals process and a decision communicated to the EZ Board. This decision will be final with no right of further appeal

Appraisal Criteria

The priority objective of the EZ in the short term is to support the delivery of new or refurbished floorspace which will attract high quality occupiers and which deliver the following outcomes:

- facilitates additional business rate retention
- supports job creation
- increases economic growth
- facilitates business start ups
- supports business expansion
- attracts private sector investment

As such, the assessment of any business case must be assessed on the extent to which it supports the following:

- Fit with CSC Strategic Vision/SEP
- Assessment against the Development & Investment Strategy Objectives
- Annual scale of Business Rate Retention

- Floorspace generated/refurbished
- Number of jobs created
- Environmental Improvements
- Other Benefits – temporary and qualitative
- Private sector leverage/value for money
- Market justification – need/demand
- Deliverability of the project
- Delivery timescale

Business Case – for projects requesting funding through the Enterprise Zone Business Rate Retention Mechanism

Project Name: Helix Business Park Phase 2

Applicant/Project Details	
Lead organisation:	Gaerwen Properties Limited
Lead contact:	Neil Taylor
Position:	Consultant
Phone number:	07887655289
Email address:	nt@ntconsulting.co.uk
Postal address:	3 Burnside Fold, Blackburn Road, Edgworth, Bolton BL7 0FR
Location of project (full address and/or location plan):	Helix Business Park, Newbridge Road, Ellesmere Port, CH65 4LT
Total project cost:	£3,314,786
Grant/loan requested – capital or revenue:	Grant - £669,347

Purpose of the Business Case

The overarching Development and Investment Strategy for the Cheshire Science Corridor sets out the vision, objectives and investment priorities for the Enterprise Zone. In order to maximize the scale of the Business Rate Retention re-investment pot, the focus of investment in the early years will be on projects that unlock and accelerate the delivery of new floorspace.

The purpose of the Business Case application is to propose projects seeking EZ investments that meet the aspirations of the Development and Investment Strategy and the site specific Development Plans. The application is aligned with the principles of the Government's 'Green Book' five case appraisal approach and seeks to determine:

- Strategic Case – The case for change and fit with strategic objectives
- Economic Case – The outcomes of investment and value for money
- Commercial Case – Capability to deliver
- Financial Case – Justification of cost to EZ and other stakeholder commitments
- Management Case – Programme and risk management

The Business Case will be assessed by the EZ Board to determine the project's suitability for funding and scale of funding to be offered, if any. Further details as to the process for applications for EZ funding can be found within the Development and Investment Strategy.

Part 1 – Strategic Case

1. Please provide a brief description of the project, including its objectives, key deliverables, the purpose and type of intervention funding being sought. Your case should be supported by site and/or layout plans as appropriate (c. 500 words).

This project is being brought forward by Gaerwen Properties Limited (Gaerwen) and is the second and final phase development of Helix Business Park (HBP), which is located off Newbridge Road, Ellesmere Port (A site location map is included within Appendix 1).

The first phase development of HBP was undertaken by Redsun Developments (with £1.4m of ERDF grant support) and comprised the construction of 5 industrial units providing a total of 4,896 m^2 (52,706 ft^2) of industrial space. In terms of design, specification and quality this first phase development set new standards for industrial accommodation within the Newbridge Road development area (photographs of the completed development are included within Appendix 2). Gaerwen purchased the completed first phase development in December 2017, which is now fully let to two Advanced Manufacturing businesses – Cook Compressions (who combined 3 units into a single facility) and Thyson Technologies (who combined 2 units into a single facility).

As part of the purchase of the first phase development of HBP Gaerwen also purchased 1.15 – hectares of development land to the rear of the development. Gaerwen are proposing to construct a further 3,705 m^2 (39,883 ft^2) of industrial space on this land set around an extended central access road. The development will comprise of a standalone industrial unit of 1,463 m^2 (15,750 ft^2) and a further industrial building sub divided into two individual units both of 1,121 m^2 (12,066 ft^2) but capable of being let as a single unit. The design, specification and quality for the proposed industrial buildings continue the standards set by the first phase development.

The industrial buildings will be of steel frame construction with a combination of built up profiled steel cladding, composite panels, curtain walling and feature timber detailing. Each of the industrial units will have a self-contained office/amenity block of c10% of the Gross Internal Area of individual industrial units. The structural frame of the buildings will allow for future expansion of the office to first floor level. The office/amenity block will incorporate a toilet (to disability standards), shower and kitchen area. The office area will have suspended ceilings, painted walls, carpet tiles and gas heating provision. The main industrial area will incorporate LG7 lighting; emergency lighting and a level access electrically operated loading door(s).

The scheme includes the construction of service yards, car parking areas, external lighting, the implementation of a scheme of surface/foul water drainage and the provision of all main statutory supplies into each of the industrial units. A comprehensive hard and soft landscaping scheme will be implemented both internally and to the periphery of the site including landscaping works to the boundaries. Paladin fencing will be provided to the perimeter of all service yard and car parking areas.

A site layout plan and detailed plans of the proposed industrial units are included within Appendix 3 and a detailed specification is included within Appendix 4.

The proposed development is not commercially viable and requires a grant of £669k, which is the funding being requested from the EZ Retained Business Rate Investment Support Fund (BISF).

A detailed planning application has been submitted with a positive decision expected in mid July 2018. The procurement of a main contractor will be undertaken during July to September 2018. Construction works are programmed to commence in October 2018 with completion of the development at the end of May 2019. A development programme is included within Appendix 5.

The key objectives and deliverables of the project are as follows:

- To re develop a vacant 1.15 hectare brownfield site (by May 2019);
- To speculatively provide 3,705 m^2 (39,883 ft^2) of high quality industrial accommodation providing ideal grow on space for businesses in Cheshire and Warrington Local Economic Partnership (CWLEP) key target sectors (specifically Advanced Manufacturing/Engineering, Environmental Technologies and Automotive);
- To accommodate 3 businesses with the potential of creating approximately 50 net additional jobs at the CWLEP level;
- To provide approximately £68k per annum of additional Business Rate revenue once the industrial units are fully occupied;
- To lever in approximately £2.6m of private investment by December 2019; and
- Generate approximately £4m in net additional Gross Value Added (GVA) per annum at the CWLEP level once the scheme is fully established.

2. Please provide detail as to how this project will contribute to achieving the aspirations for the Cheshire Science Corridor as established within the overarching Development and Investment Strategy and for your site as set out within your site specific Development Plan. In particular in terms of supporting (c.500 words):

- Vision
- Strategic objectives
- Target sectors
- Priorities for investment

The Development and Investment Strategy for the Cheshire Science Corridor Enterprise Zone (EZ) includes a select portfolio of ‘pump primed’ sites, which offer a unique opportunity for businesses wishing to establish production facilities along side the centers of science excellence (particularly the Protos Energy Hub at Ince Park). The HBP site is included within the Ellesmere Port portfolio of sites.

The Vision of the Cheshire Science Corridor (CSC) is to be an internationally renowned science and technology cluster and a major driver of future business growth in the sub-region. In order to achieve this the EZ’s key strategic objective is attract in the order of 500 businesses and create almost 20,000 jobs over its 25-year life. The first phase development of HBP has already contributed to this objective as two significant occupiers have been attracted who will create new job opportunities. This second phase development is looking to build on this success by providing further high qulaity industrial accommodation to attract up to three new businesses to the EZ, which will ultimately result in new jobs being created.

The Development and Investment Strategy for the HBP site has a focus on attracting businesses from the Advanced Manufacturing, Environmental Technologies and Automotive sectors. Evidence suggests that companies from these sectors tend to favour new or very modern buildings, which are designed to meet the needs of their occupational requirements and more importantly project a positive image of the company. The proposed second phase development at HBP will provide new high quality industrial buildings, which meet the occupational requirements of businesses from the Target Sectors.

Gaerwen has let three units on the first of HBP to Cook Compressions who are a high-tech business specialising in the design, manufacture, application and servicing of engineered compressor solutions. Gaerwen has also let two units to Thyson Technologies who are a specialist analytical instrumentation engineering business providing complex analyser systems, project management, contracting and manpower services for process industries. Both of these businesses have relocated from existing premises in Ellesmere Port. These two lettings demonstrate that the property product being provided at HBP does attract businesses from the Target Sectors i.e. Advanced Manufacturing.

3. Which other local and national strategies will the project contribute to and how? E.g. Cheshire & Warrington Strategic Economic Plan (SEP); Industrial Strategy; Local Strategic Policy etc. (c.300 words)

This project supports the following two of Foundations of The **Governments Industrial Strategy (2017)**:

- Business Environment – increasing SME productivity – This project will provide new business space, which will provide the environment necessary for the new generation of SME's to grow, introduce new high value added products/services and to take advantage of globalisation.
- Places – tackling regional disparities in productivity and economic performance – This project will result additional GVA and new jobs in the CWLEP area.

Northern Powerhouse Strategy (November 2016) – This project will support the Enterprise and Innovation objective of this strategy by providing new industrial space for businesses in the knowledge intensive sectors (including Advanced Manufacturing & Automotive) to develop innovative ideas and grow.

This project will contribute to the **Cheshire & Warrington Strategic Economic Plan (2017)** aim to grow (by 2040) the CWLEP economy by £50 billion pa in GVA (this project has the potential contribute £4m in net additional GVA pa) and create 120,000 net additional jobs (this project has the potential to create 50 net additional jobs). A strategic theme of the SEP is upgrading infrastructure and by providing new high quality industrial accommodation this project will help achieve a key objective of this theme i.e. providing readily available employment sites that meet the needs of key economic sectors, attract inward investment and new investment by indigenous businesses.

The project is located in the **Atlantic Gateway**, which is identified by the CWLEP as a key strategic priority. One of the Atlantic Gateway's priorities is to support the delivery of the Ellesmere Port Strategic Regeneration Framework. One of the themes of this Framework is to deliver employment growth in key development zones including the Eastern Employment Zones, which includes the Newbridge Road development area within which this project is located.

4. Please provide evidence of the market need or demand for the project (including e.g. enquiry schedules and market review as relevant) (c. 200 words).

Legat Owen have undertaken a Market Demand Assessment in respect of the proposed project (copy included within Appendix 6) the key conclusions from which are as follows:

- Over the course of the last 5 years there has been a steady improvement in the demand for industrial floor space in Ellesmere Port and the wider CWLEP area;
- The success achieved in relation to the letting of Phase 1 of HBP clearly demonstrates that the nature of the product is orientated towards market demand;
- The supply of industrial floor space in Ellesmere Port has tightened to the point whereby demand now exceeds supply and there is a need to bring forward new industrial floor space in order to meet the demands of the market;
- Existing industrial floor space supply in the market is at least 25 years old and does not meet the needs of business in the 21st Century;
- It is considered that a Design & Build development route tends to work for buildings of 2,787 m^2 and above and occupiers tend to plan ahead and are more willing to wait for bespoke solutions. However, occupiers in the SME sector do not tend to have the same degree of forward planning and, as a consequence their need for occupational floor space tends to be required within a 3 – 6 month time horizon; and
- Legat Owen is of the opinion that there is a clear justification to bring forward the speculative development of new employment floor space through the construction of Phase 2 at HBP.

5. What is the rationale for intervention by the Enterprise Zone? What barriers/problems will the project address (e.g. market failure) and/or the opportunities it will unlock? (c. 200 words)

The rationale for public sector intervention in this project is supported by the existence of the following interlinked market failures:

- **Imperfect Information** – There is continued uncertainty in the local property market, with limited new development over the last five years due to a lack of confidence and funding. The perceived risks associated with businesses in the sector together with other inter-linked market failures, means that a supply of suitable accommodation is not readily available;
- **Negative externalities** - In the absence of public support the project would not go ahead primarily because it is not commercially viable i.e. there is a cost/value viability gap as a result of the following factors:

    - **Construction Costs/Property Value** – Before the financial crisis in 2008 property values (rents and investment yields) and construction cost levels in Ellesmere Port were nearing a point whereby speculative industrial development was commercially viable without the need for public subsidy. Since the 2008 financial crisis construction costs generally have increased by c20%. However, during this time industrial property rental/capital values decreased and they have just about recovered to pre 2008 levels. Also, rental/capital values in Ellesmere Port still lag behind prime areas in the North West around the M6 corridor and Manchester. In this context of increasing construction costs and static property values over the last 10 years speculative industrial development in Ellesmere Port is still not commercially viable without public subsidy.

- **Construction Costs of building to high quality –** In order to attract target sector businesses to Ellesmere Port then there is a need to provide high quality buildings i.e. design and specification. Providing a high quality end product results in higher construction costs which impacts on viability.
- **Costs of developing on a speculative basis –** Developing on a speculative basis has additional cost implications e.g. additional finance costs during void periods.

- **Positive externalities** – the project would result in positive externalities, such as supply chain developments, increased competitiveness and regeneration benefits and strengthening the local economic base. However, these benefits will not be fully taken into account and as such are unlikely to stimulate investment in the project, in the absence of intervention from the public sector.

Given the identified demand referred to above, it is clear that there is an imbalance in the demand/ supply equation i.e. an opportunity in the market, which this project can capitalise on if unlocked by the proposed BISF investment. It is considered that companies from the SME Sector will be forced to consider relocating outside of Ellesmere Port in order to accommodate their property requirements. Given the slightly improved supply position in North East Wales and the Wirral, there is a risk that companies will relocate outside the CWLEP area. This is demonstrated by the decisions of Cook Compressions and Thyson Technologies who decided to remain in Ellesmere Port because there was high quality industrial accommodation available on the first phase development at HBP. If this was not available then they may have decided to relocate outside of Ellesmere Port either to Deeside or the Wirral where the supply of high quality industrial accommodation is slightly better.

Part 2 – Economic Case

6. What are the main direct and indirect quantitative outputs that the project is expected to generate? Please populate the table below by financial year, adding additional rows as appropriate. Provide details of how the outputs have been estimated in the box below.

Expected Tangible Outputs	Direct or Indirect	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23	Future Years	Total
Floorspace created (sq m)	**Direct**		**3,705**					**3,705**
Floorspace refurbished (sq m)								
Brownfield land reclaimed (Ha)	**Direct**		**1.15**					**1.15**
Businesses accommodated (no.)	**Direct**		**3**					**3**
Business rates retained (£)	**Direct**			**68,000**	**68,000**	**68,000**	**68,000 pa**	

Jobs (FTE) – direct								
Jobs (FTE) – indirect				**50**				**50**
Jobs (FTE) – construction	**Direct**	**1.5**	**0.5**					**2**
Economic activity (GVA) - £m	**Indirect**				**4**	**4**	**4pa**	
Private Investment Levered (£m)	**Direct**	**1.686**	**0.959**					**2.645**

Output assumptions:

The direct outputs from the project relate to the following physical outputs, which the BISF investment will be used to fund:

- Floor space created – Measured by the Architect.
- Brownfield land reclaimed – Measured by the Architect.
- Business rates retained – Calculation basis detailed within Question 7 below. The future years figure does not take account of increases in RV and Business Rates multipliers as a result of future rating revaluations.
- Construction jobs created – Calculation is based on £150,000 of construction expenditure per employee benchmark and 1 FTE equivalent to 10 person years of employment i.e. Construction cost - £2.7m = 18 person years of employment = 1.8 FTE say 2.
- Private Investment Levered – This is the cash funding which Gaerwen will be providing.

The business occupying the industrial space will create new employment, which is as an indirect consequence of providing the actual floor space. The potential gross and net additional employment impacts associated with the project have been calculated as follows and detailed within Appendix 7.

Gross Jobs 103 - This is based on the Homes and Communities Agency Guidance (HCA Employment Density Guide 3rd Edition - 2015) which is a density of 1 FTE/36 sq m of floorspace for industrial/manufacturing use.

Net Jobs 50 – This has been calculated allowing for the following additionality factors:

Displacement – It is considered that the type of companies which are likely to occupy the speculative industrial units (such as automotive and advanced manufacturing sector businesses) tend not to move locally, given their scale and the costs of picking up operations. Most moves would be done for strategic reasons (e.g. to move closer to markets, closer to upper or lower tiers of supply chain) and would most likely take place over larger distances, rather than within the CWLEP. However, It is recognised that the industrial units will also be attractive to existing businesses within the CWLEP area who are growing and need larger new modern high quality accommodation (as demonstrated by the two companies occupying the Phase 1 units). In this context it is considered that a 50% allowance for displacement is appropriate.

Leakage – It is considered that the majority of jobs will be taken up by LEP residents however due to geographic proximity it is recognised that some of the jobs will be taken up by residents from Merseyside and North Wales. In this context it is considered that a 25% allowance for leakage is appropriate.

Multiplier Effects - This allowance is for indirect and induced economic activity associated with additional local income and local supplier purchasers. According to the HCA, 1.29 is the local composite multiplier that should be used for industrial and manufacturing developments which is the multiplier which has been adopted.

Gross Value Added £4m per annum - The estimate is based on the Liverpool City Region (LCR) Annual GVA per FTE in the manufacturing sector of £82,492 (Source: ONS Regional Accounts and BRES - 2016). The LCR figure has been used as a base due to Ellesmere Port being close to the LCR and probably more aligned economically rather than Cheshire & Warrington.

7. Generating additional Business Rate Revenue is the short-term priority for the Enterprise Zone. Please expand upon how the rates retained have been estimated, including calculations and assumptions based on breakdown of floor space and rateable value evidence (c.150 words)

The estimated Rateable Value (RV) of the completed industrial units is based on the most recent comparable RV assessment of the nearby Cloister Way unit occupied by Helukabel, which adopts the following values:

- Warehousing – 37.05 per m^2
- Office - £44.46 per m^2

Adopting the above-mentioned values in respect of the proposed phase 2 development at HBP the estimated annual Business Rates Revenue is approximately £68,000 per annum (detailed calculation included within Appendix 8).

8. Are there any other wider benefits (including social, environmental and temporary effects) that the project will generate? (c. 200 words)

The project will generate the following wider benefits:

- Provision of new industrial space on a sub regionally important employment site for the Ellesmere Port and wider CWLEP area;
- Environmental enhancements to a long term vacant site;
- Building of confidence in the local property market to other developers and investors resulting in increased property values and reduced need for grant support to make development a commercially viable proposition;
- Fostering innovation – the industrial accommodation that this project will provide will be attractive to businesses from the Advanced Manufacturing, Environmental Technologies and Automotive sectors. These sectors are characterised by entrepreneurial and enterprising activity, evidenced by the level of growth experienced in the number of young people and start-up businesses across the CWLEP.

The main beneficiaries of the project will be:

- Local contractors and supply chain companies who will benefit during the course of construction of the project;
- Local people who will be able to seek employment within the new industrial accommodation – a range of skills will be required from professional staff, managerial personnel to technical assistance and junior staff;
- Local supply chain companies who will be able to supply the occupiers of the new industrial accommodation.

9. Please demonstrate that the benefits of the project are additional, i.e. that the intervention does not simply displace other existing activity or would have been smaller or of a lower quality. (c. 150 words)

This project is not commercially viable without public sector subsidy. As such it is clear that without the BISF grant being requested (i.e. the deadweight or 'do nothing' position) the project would not proceed and the associated physical outputs of new industrial floor space provided, brownfield land reclaimed and private sector funding levered in will not be delivered. In this respect, intervention with BISF will help ensure earlier provision of high quality new industrial accommodation and ensure a continuing pipeline of industrial accommodation, which meets perceived occupier demand in Ellesmere Port and the wider CWLEP area.

The estimated economic impacts from the project take into account additionality factors i.e. deadweight, displacement, leakage and multiplier effects.

The proposed quality and specification of the industrial accommodation is at a level which market evidence suggests is required which is demonstrated by the success of the first phase development of HBP. A lower quality/specification will impact on occupier demand.

Part 3 – Commercial Case

10. Please describe how the project would be delivered and identify the key stakeholders. Please include who will act as Project Manager, how construction will be procured etc. (c. 300 words)

Gaerwen will be responsible for the overall organisation and management of the project including the appointment and management of the professional team, agents, solicitors, procuring the construction works and the ongoing marketing, letting and management of the industrial units. Garewen has appointed an experienced professional team to deliver the project including Hatrick Property (Development Manager), NT Consulting (Grant Funding Consultant), C4 Consulting (Architect & project Manager/QS) and Legat Owen (Property Adviser & Letting Agent)

A two-stage procurement process is to be adopted for the construction works. The first stage will involve the completion, by interested parties, of a Pre-Qualification Questionnaire (PQQ). Potentially interested parties will be made aware of the opportunity through advertising on the 'my tenders' website. PQQ's will be objectively scored by reference to a published scoring matrix. Contractors successful at PQQ stage will be provided with an Employers Requirements pack of information. Following receipt of tenders and compliance checks C4 Consulting will prepare a comprehensive Tender Adjudication report recommending the appointment of the lowest priced fully compliant tenderer.

Key stakeholders interests		
Stakeholders	**Interests**	**Consultation Undertaken/to be undertaken**
Gaerwen	• Scheme promoter and developer • land-owner	The owners of Gaerwen have given their approval to proceed with the project and provide the required funding contribution. The owners of Gaerwen will be requested to approve the grant agreement and other contractual/financial matters. They will also be provided with progress/financial updates as the project proceeds.
Cheshire West and Chester Council (CWC)	• Planning authority – Support confirmed following pre application discussions on the detailed planning application	Gaerwen and their professional team will continue to liaise closely with CWC as part of the detailed planning process.
CWLEP & EZ Board	Sub-regional economic growth body	Gaerwen and their Property Agents will liaise closely with CWLEP in terms of potential occupier enquiries and the availability of financial/business support.
Local People and Existing Businesses	• To be consulted as part of the detailed planning process	Statutory consultations will take place as part of the detailed planning process. The eventual occupiers of the industrial units will give local people the opportunity to access employment opportunities that will be created.
Property Agent (Legat Owen)	• Consulted as part of the project development	Legat Owen has provided market advice during the design stage of the project to ensure that it best meets the needs and requirements of potential occupiers. Legat Owen have also provided market demand evidence which has been used by Gaerwen as part of their decision making process to undertake the project. Legat Owen will be responsible for marketing the industrial units to potential occupiers. As part of this process Legat Owen will be consulting directly with potential occupiers and through occupiers retained agents.

11. Please demonstrate that you and the key stakeholders each have the appropriate capacity, capability, systems and expertise to deliver the intervention successfully. This could include examples of similar projects completed elsewhere (c. 200 words)

Gaerwen were established in 2012 and since its inception they have significantly grown their property portfolio which includes 530,000 ft² of industrial space and 75,000 ft² of office accommodation including the following:

- Gaerwen own an Industrial Estate in Anglesey – Gaerwen Industrial Estate hence the company name – this estate comprises c 100,000 ft² of mainly small units;
- A 30,000 ft² industrial unit in Bredbury, Stockport let to Mitie;
- A 20,000 ft² vacant unit in Hawarden, Flintshire; and
- Phase 1 of Helix Business Park.

Paul Norman from Hatrick Property (Development Manager), established Hatrick, 5.5 years ago. Paul was previously a Director of Liberty Properties for over 20 years and was responsible for the entire development at HQ Chester, a 350,000 FT.Sq. mixed scheme overlooking Chester Racecourse , where CWAC are currently based. He was involved in over 450,000 Ft.Sq of speculative industrial development in Warrington and the M6 corridor. Hatrick has recently completed a 110,000 Ft. Sq Office building in Wrexham, on behalf of Moneypenny, and the property has won a series of awards from the BCO and Welsh Government. Hatrick has recently acquired 350,000 Ft Sq. industrial complex on Southampton Water on behalf of Fairline Yatches and is embarking upon a full refurbishment programme for the super watch manufacturers

NT Consulting (Grant Funding Consultant) and C4 Consulting (Architect & project Manager/QS) both have considerable experience in delivering publically funded projects. This will ensure that the project is delivered on time, to budget and all the outputs and results are achieved in accordance with BSIF contractual requirements.

Legat Owen (Property Advisor & Letting Agent) is a well-established practice, which in a typical year transacts c2m ft^2 of industrial floor space in the North West and North Wales. Legat Owen are engaged on a day to day basis in the employment floor space market in Cheshire and Wirral and have advised on a number of new developments over the course of the last 2/3 years.

12. If procuring external partners for this project, please confirm and demonstrate that procurement will comply with public procurement requirements. (c 100 words)

Gaerwen are not a Contracting Authority. However, in order to ensure compliance with public procurement principles of equal treatment, non-discrimination and transparency a two-stage procurement process is to be adopted for the construction works.

13. Please evidence how your project complies with the necessary regulations and requirements with regard to: (approx. 100 words)

a. State Aid

b. Legals (e.g. lease agreements, evidence of freehold and/or Memorandum of Understanding)

c. Planning or other consents

d. Other (please specify)

State Aid

- Gaerwen is eligible to be an applicant for and a recipient of aid under The Regional Investment Aid Scheme ("RIA Scheme").
- Gaerwen has read the requirements of the General Block Exemption Regulation and has agreed to meet the requirements of RIA Scheme.
- The Project is located within an area identified as falling within the terms of Article 107(3)(c) of the Treaty on the Functioning of the European Union (TFEU) under the UK Assisted Areas Map 2014 - 2020.
- The Project will comprise an initial investment in tangible assets comprising land and buildings.

- It is intended that the asset created will be maintained for a period of not less than 3 years in relation to the proposed economic activity.
- The BISF grant being applied for will not exceed the maximum aid intensity of 30% of RIA Scheme Eligible Costs in relation to the area concerned.
- Gaerwen will make a financial contribution of more than 25% to the project by way of private sector investment.
- The activities are not within excluded industrial sectors (GBER Art.13).
- The Project does not exceed the notification thresholds (GBER Art.4).

Legal

Gaerwen own the Freehold of the site for the proposed project, which they acquired in December 2017 along with the completed first phase development of HBP.

Planning

The site is designated as an 'employment site' in the Local Plan and the precedent for the proposed project has been established through the first phase development of HBP. Pre planning application discussions have been held with CWC and in principle they are happy with the proposed scheme. A detailed planning application has been submitted with a positive decision expected in mid July 2018.

Part 4 – Financial Case

14. Provide a summary of the anticipated project costs, funding by source and revenue (adding additional lines as required). The figures should be supported by a development appraisal and evidence of costs, rental values and yields where appropriate.

Project Item	Confirmed or Estimated	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23	Future Years	Total
Costs								
Land	**Confirmed**	**0.375**						**0.375**
Construction	**Estimated**	**1.587**	**1.129**					**2.716**
Professional Fees	**Estimated**	**0.074**	**0.017**					**0.091**
Other Fees/Costs	**Estimated**	**0.034**	**0.039**					**0.073**
Finance Costs	**Estimated**	**0.007**	**0.052**					**0.059**
Total Costs		**2.077**	**1.237**					**3.314**
Funding								
Total EZ Request	**Estimated**	**0.392**	**0.277**					**0.669**
Other Public Sector								
Private Sector	**Confirmed**	**1.685**	**0.96**					**2.645**
Total Project Funding		**2.077**	**1.237**					**3.314**
Revenue								
Total Revenue								

Provide any supporting information here including evidence/confirmation of any matched funding.

Please provide a copy of your development appraisal and any supporting cost schedules.

A detailed development appraisal is included within Appendix 9 and a construction cost plan is included within Appendix 10.

Allowing for the BISF grant (£669,347) which is the subject of this application and the site purchase cost (£375,000) which has already been paid leaves a private funding requirement of c£2.2m to complete the Phase 2 development. Alec Pickering who is a Director of Gaerwen and the Pickering family members will be providing the c£2.2m of development funding required for the project by way of a Directors loan.

15. Please explain why EZ funding is necessary, for example due to a funding gap, and how the project will ensure the minimum cost to the EZ. Consider overage and claw-back position (c. 250 words).

A detailed investment development appraisal has been undertaken to assess the overall need for BISF grant. A detailed development appraisal and cash-flow is included within Appendix 9 and summarised below:

Development Cost	**£**	**Comments**
Site Acquisition	375,000	Actual cost
Construction	2,716,441	Based on detailed cost plan included within Appendix 10
Professional Fees	90,729	Based on agreed fees
Other fees/costs	72,903	Based on actual costs, market rates and Property Agent advice
Finance charges	59,713	The Directors loan interest charge is 3%
Total Development Costs	**3,314,786**	
Completed Net Development Value	**2,645,439**	Detailed below
Cost/Value Viability Gap	**669,347**	

Gaerwen will be retaining the completed development as a long term investment rather than trading the let investment. In this context an allowance for Developers Profit has not been included as Gaerwen will be realising a return from future rental income.

The property value included in the development appraisal is based on the following advice from Legat Owen:

- The lettings achieved in relation to Phase 1 of HBP have achieved headline rentals of £5.50/ft^2 and in each case the tenant secured a generous letting incentive. For the purposes of the development appraisal for Phase 2 of HBP Legat Owen recommend adopting a rent of £5.50 /ft^2 and a rent free period of 6 months.
- The aim should always be to secure the longest lease term possible but in the current market a tenant will still expect a break option after 5 years and as a consequence the rental income should be capitalised assuming a 5 year term certain.
- The nature of the occupiers will be such that their covenants will not necessarily be AAA status and as a consequence we believe it's realistic to adopt an investment yield of 7.5% to reflect the nature of the tenant's covenant and the lease term certain.

As demonstrated above the proposed development is not commercially viable and has a cost/value viability gap of £669,347 which is the grant being requested from the BISF. It is proposed that the BISF grant is made on the condition that there is an overage arrangement to recover any 'super profit'. In line with accepted procedures for public sector grant funded commercial development projects it is proposed that overage is calculated when all the industrial units are let at 50% of the completed value of the building over and above a Base Value agreed as part of the appraisal capped at the amount of BISF grant received.

16. Has consideration been given to other alternative sources of funding which could be accessed to support this project? E.g. Commercial loan; Transport for North/Highways England; government funding in response to Energy Strategy or Industrial Strategy. If so, why have they been discounted?

> Consideration has been given to applying for ERDF for the projects grant-funding requirement. However, this funding option has not been pursued due to the timescales associated with obtaining an ERDF grant approval (c6 months). The project needs to be completed by early 2019 prior to any potential market uncertainty as a result of BREXIT and to achieve this the project needs to be on site by October 2018, which requires obtaining a grant approval by the end of July 2018 at the latest.
>
> On the basis of a £669k BISF grant Royal Gaerwen have access to the funds required to undertake the project. The project requires grant not loan funding to be commercially viable as demonstrated by the development appraisal for the project. On this basis if public loan funding (through Evergreen/CWLEP/BISF) was only available instead of grant the project would not proceed.

17. Can you confirm and demonstrate that there is sufficient capability to meet the financial requirements and liabilities that flow from receipt of EZ support (e.g. to fund cash flow ahead of grant and to meet any cost overruns). (c. 200 words)

> Gaerwen's advisors have considerable experience of the financial management of publically funded projects and have established and proven procedures in place to ensure that all financial compliance conditions and requirements are adhered to.
>
> Gaerwen will have sufficient cash to fund the project costs. This will be at a level to allow for the payment of BISF grant monthly in arrears against construction cost expenditure.
>
> The project costs have been estimated with advice from experienced professionals. The main cost risk relates to the construction works, which will be procured on a fixed price basis following a competitive tender process. In the event that tenders are above pre tender estimates then a value engineering exercise will be undertaken to reduce costs in line with the budget. A 2.5% construction cost contingency is included in the project costs. Gaerwen will have funding in place to cover any cost overruns (not covered by the contingency allowance) relating to unforeseen costs, which can be claimed under the building contract but this is highly unlikely, as all cost risk will lay with the contractor.

Part 5 – Management Case

18. Please provide a programme for the project via a Gantt Chart and insert the indicative timescales for the key project milestones in the table below:

Milestone	Indicative Timescale
Submission of Outline Business Case	April 2018
Funding Approvals	July 2018
Appointment of preferred developer / contractor	September 2018

Planning and other statutory approvals	July 2018
Work Commences	October 2018
Work complete	May 2019
Final financial claim date	June 2019

19. What are the top five risks of your project and how do you anticipate to mitigate them?

Risk Register	Impact (H/M/L)	Likelihood (H/M/L)	Risk Mitigation	Action Owner
Planning	H	L	Early consultations with CWC Planning. Preparation of robust planning application and supporting documentation.	C4
Cost over runs	M	L	Ensure ongoing review of pre tender cost estimates and ensure a robust contractor procurement process is adopted. Include an adequate contingency allowance within the project costs.	C4 Contractor
Programme delays	M	L	The construction works programme has been developed by the projects professional team based on their extensive experience of undertaking other projects of this type and scale. A construction programme and key milestone dates will be agreed with the chosen contractor, which will form part of building contract.	C4 Contractor
BISF Grant not approved	H	L	Preparation of robust Business Case by experienced Grant Consultant	NT Consulting
No demand for the industrial units	M	L	Legat Owen have undertaken a market demand assessment, which confirms that there is latent demand in the market from occupiers requiring the type and size	Legat Owen

			of industrial units this project will provide. Early launch of a comprehensive marketing campaign.	

20. Please identify any other significant constraints and confirm that project is deliverable having regard to these risks and dependencies. (c. 300 words)

The above-mentioned are the key risks at this stage in the projects development. As the project develops Gaerwen will be adopting a formal and documented approach to facilitate risk being managed in a proactive and coordinated manner. In order to identify and schedule risks the scheme will be reviewed with key project team members to identify risk items that may impact on achieving the project objectives. This will include specific risk management workshops and the provision of a Risk Register and Analysis, which will provide a snapshot of the project risks and provide a management tool for actively managing and mitigating the risks in taking the project forward.

It is considered that at this stage in the projects development there are no significant risks or dependencies, which cannot be managed/mitigated, which would result in the project not being delivered.

Assuming the BISF grant is approved at the level requested it is considered that this is a very deliverable project as:

- Gaerwen own the site for the proposed development;
- Gaerwen and their advisors have the required skills to successfully deliver the project;
- In planning terms the site is zoned for industrial use and pre application discussions with CWC indicate that there are no concerns;
- The required private funding for the project is in place;
- The projects professional team have been appointed;
- Construction costs are based on cost advice from C4 Consulting;
- Property values have been included based on advice from an experienced Property Agent; and
- Property Agent advice confirms latent demand for the proposed industrial units.

Declaration

To be completed by the Business Case Applicant:

I hereby confirm that the information provided in this form is complete and, to the best of my knowledge, accurate.

I acknowledge that the Cheshire & Warrington Local Enterprise Partnership may seek to verify the information set out herein and agree to provide further information where it is available.

I acknowledge that any funding agreement reached with the Cheshire & Warrington Local Enterprise Partnership is provisional until approved by the Enterprise Zone Board and LEP Accountable Body and confirmed in writing.

I understand that any offer of funding will be fixed and final. I accept full responsibility for any cost over-runs and/or liabilities in advance of receipt of any such funds.

Signed…………………………………………………………………………………………………….

Date…………………………………………………………………………………………………….

Name………………………………………………………………………………………………......

Position……………………………………………………………………………………………....

Organisation/Company……………………………………………………………………………..

Information Checklist

- Site/layout plan(s) – Included within Appendix 3
- Development appraisal – Included within Appendix 9
- Evidence of costs – Included within Appendix 10
- Evidence of market demand/enquiries – Included within Appendix 6
- Evidence of rental values and yields – Included within Appendix 6
- State Aid opinion – Included within Question 13
- Confirmation of financial capability
- Signed declaration

INVESTMENT TERM SHEET

Recipient:	Gaerwen Properties Limited
Project Name:	Helix Business Park Phase 2
Amount of Investment:	£669,347
Purpose:	Development of 3,705 m² (39,883 ft²) of industrial space at Helix Business Park, New Bridge Road, Ellesmere Port. The development will comprise of a standalone industrial unit of 1,463 m² (15,750 ft²) and a further industrial building sub divided into two individual units both of 1,121 m² (12,066 ft²) but capable of being let as a single unit.
Funding:	Growing Places Fund and Local Authority Borrowing
Repayment:	From Enterprise Zone Retained Business Rates in connection with the Project, with a restriction on the Recipient utilising any rate mitigation schemes.
Length of time site must be maintained to Approved Use:	10 years
Key Milestones:	The Recipient is obliged to adhere to the following key milestones within the project: (a) Longstop start date within 12 months (i.e. drawdown of first claim) (b) Practical Completion within 3 years of start date
Draw Down of the Claim:	Investment will only be drawn down on Practical Completion of the scheme and subject to the following: (a) Funder satisfaction that the Works to which the investment relates have been carried out to the approved project specifications (b) Funder satisfaction of the State Aid position (c) Funder satisfaction with any third party funding (d) Recipient has obtained the necessary consents
Overage:	An overage payment is payable by the Recipient, which is calculated on the sale price or market valuation at an agreed calculation date as follows: (a) Parties agree project costs (b) Parties agree priority return to investor 25% (c) The Funder then achieves 50% of the Overall Surplus after those deductions. (d) Overage is payable on the earlier of Disposal, 5-years after Practical Completion or once the Funder's Investment has repaid via retained business rates.
Permitted Changes:	Any and all changes must be approved by the Funder via a Project Change Form.
Permitted Disposal:	Gaerwen have the right to dispose of part of/the site (without overage kicking in) for leases under 35 years

Security:	Ni guarantee is required as the Recipient will only draw down the investment on Practical Completion of the scheme.
Events of Default/Clawback:	The Recipient will be required to repay the monies in the following events: (a) Any finding of State Aid breach (b) Lack of progress towards Milestones and Targets (c) Material Changes to the Project (d) Usual insolvency provisions
State Aid:	The Recipient is responsible for ensuring that the Project is provided in accordance with State Aid Law.
Monitoring:	Recipient to submit monthly monitoring reports during the construction phase of the project, after which they will submit an annual monitoring return for the remaining Project Duration (10-years).
Boilerplate:	The document contains the usual provisions and protections regarding Freedom of Information, Bribery Act and Confidentiality for this form of transaction.

Business Case for Guidance for Retained Business Rate Investment Support

Introduction

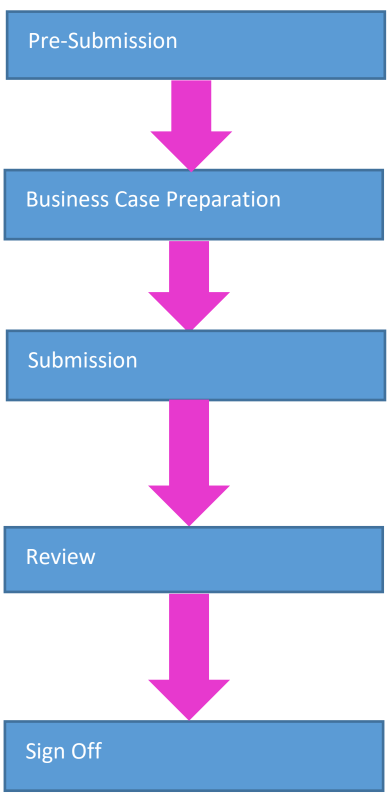
The Site Specific Development Plans and the overarching Development and Investment Strategy[1] has identified challenges which need to be overcome generally or specifically in respect of sites in the Enterprise Zone. The current list of potential investment projects is identified in Table 6.1 of the Development and Investment Strategy. For those projects identified in the Strategy or others that emerge which meet its objectives, a Business Case will need to be made through engagement with the CSC Growth Director and completion of a Business Case Template.

Timescale

Completed business cases can be submitted at any time to respond to your business need. The period to appraise the business case will depend upon its complexity but every effort will be taken to determine them as speedily as possible.

Business Case Process

The process for preparing, submitting and reviewing a business case is summarised below:



- Early engagement with the CSC Growth Director about projects identified in the Development and Investment Strategy or other projects that meet EZ objectives

- Preparation of Business Case and supporting evidence

- Completed Business Case and supporting evidence to be submitted to CSC Growth Director
- CSC Growth Director to review the business case and ensure all required information has been submitted

- Technical review including appraisal of business case against agreed criteria
- Consideration of business case and review of EZ Steering Group

- As appropriate – confirmation from landlord / council regarding match funding / financial scheme
- Recommendation to be considered and approved by EZ Board

[1] Insert link to the website

Preparing Your Business Case

It is anticipated that in working up your project and in advance of submitting your completed business case all applicants will engage with the CSC Growth Director. He will liaise with partners to clarify what will be required in the business case and what evidence needs to be submitted to support your case. He will signpost applicants to other partners who may be able to provide support in preparing the necessary evidence. This stage will focus on understanding the nature of the project, the need for public intervention and the nature of investment support being sought and whether alternative sources of funding are more appropriate or could also be accessed.

Submission Process

Completed business cases should be submitted to john.adlen@871candwep.co.uk. The CSC Growth Director will undertake an initial review of the business case/supporting evidence and ensure that the submission is complete.

Review Process

- **The Business Case Review Team –** the appraisal process will involve the following people/ organisations - the CSC Growth Director, EZ Steering Group, EZ Board and relevant departments of the local authorities as appropriate to the specific business case
- **Technical Review** – if required will be undertaken by an external independent appraiser who will assess the business case against the agreed criteria (see below)
- **Financial Support** – where relevant the business case will need to include evidence of commitment of funding from other partners such as a local authority if they are supporting the case financially for example through prudential borrowing
- **Approval** – this will include a recommendation from the Steering Group which will be considered by appropriate local authority committees (as relevant), the EZ Board, LEP Performance and Investment Committee for sign off and the LEP Board for ratification.
- **Appeal** - The decision to make an award is discretionary on a case by case basis. Requests for appeal should be made in writing to the LEP no later than one month after the date of the determination. Appeals will be considered by the relevant local authority in line with its own appeals process and a decision communicated to the EZ Board. This decision will be final with no right of further appeal

Appraisal Criteria

The priority objective of the EZ in the short term is to support the delivery of new or refurbished floorspace which will attract high quality occupiers and which deliver the following outcomes:

- facilitates additional business rate retention
- supports job creation
- increases economic growth
- facilitates business start ups
- supports business expansion
- attracts private sector investment

As such, the assessment of any business case must be assessed on the extent to which it supports the following:

- Fit with CSC Strategic Vision/SEP
- Assessment against the Development & Investment Strategy Objectives
- Annual scale of Business Rate Retention
- Floorspace generated/refurbished
- Number of jobs created
- Environmental Improvements
- Other Benefits – temporary and qualitative
- Private sector leverage/value for money
- Market justification – need/demand
- Deliverability of the project
- Delivery timescale

Business Case – for projects requesting funding through the Enterprise Zone Business Rate Retention Mechanism

Project Name: Newport Business Park – Rhino Products New Facility

Applicant/Project Details	
Lead organisation:	Andrews 4 Property Limited
Lead contact:	Neil Taylor
Position:	Consultant
Phone number:	07887655289
Email address:	nt@ntconsulting.co.uk
Postal address:	3 Burnside Fold, Blackburn Road, Edgworth, Bolton BL7 0FR
Location of project (full address and/or location plan):	Newport Business Park, Newbridge Road, Ellesmere Port, CH65 4LT
Total project cost:	£6,187,228 – Including Developers Profit
Grant/loan requested – capital or revenue:	Grant - £792,670

Purpose of the Business Case

The overarching Development and Investment Strategy for the Cheshire Science Corridor sets out the vision, objectives and investment priorities for the Enterprise Zone. In order to maximize the scale of the Business Rate Retention re-investment pot, the focus of investment in the early years will be on projects that unlock and accelerate the delivery of new floorspace.

The purpose of the Business Case application is to propose projects seeking EZ investments that meet the aspirations of the Development and Investment Strategy and the site specific Development Plans. The application is aligned with the principles of the Government's 'Green Book' five case appraisal approach and seeks to determine:

- Strategic Case – The case for change and fit with strategic objectives
- Economic Case – The outcomes of investment and value for money
- Commercial Case – Capability to deliver
- Financial Case – Justification of cost to EZ and other stakeholder commitments
- Management Case – Programme and risk management

The Business Case will be assessed by the EZ Board to determine the project's suitability for funding and scale of funding to be offered, if any. Further details as to the process for applications for EZ funding can be found within the Development and Investment Strategy.

CHESHIRE SCIENCE CORRIDOR ENTERPRISE ZONE

Part 1 – Strategic Case

1. Please provide a brief description of the project, including its objectives, key deliverables, the purpose and type of intervention funding being sought. Your case should be supported by site and/or layout plans as appropriate (c. 500 words).

This project is being brought forward by Andrews 4 Property Limited (Andrews) and involves the purchase and development of a 1.56 - hectare site at Newport Business Park (Newport), which is located off Newbridge Road, Ellesmere Port (A site location map and aerial photograph are included within Appendix 1). Andrews propose to construct a 7,822 m^2 (84,196 ft^2) production/warehousing building on the site incorporating 906 m^2 (9,752 ft^2) of office accommodation at ground and first floor levels.

The building will be of steel multi span portal frame construction (with a minimum clear height to underside of haunch of 10m) with external walls constructed using a combination 'built up' and composite flat panel cladding system. The roof will be constructed using a 'built up' cladding system incorporating roof-lights to 15% of the buildings floor area. The unit will be provided with 4-dock level loading doors and 3 level access-loading doors. The main warehousing area will incorporate LG7 lighting and emergency lighting.

The ground floor office area will include a reception area, boardroom, canteen and male/female toilets. Lift and stair access will be provided to the first floor office area which will include 5 individual offices, an open plan office area and male/female toilets.

The scheme includes the construction of service yards, car parking areas, external lighting, the implementation of a scheme of surface/foul water drainage and the provision of all main statutory supplies into the building. A comprehensive hard and soft landscaping scheme will be implemented both internally and to the periphery of the site including landscaping works to the boundaries secured with Paladin fencing.

A site layout plan and detailed plans of the proposed building are included within Appendix 2 and a detailed specification is included within Appendix 3.

Andrews have agreed Heads of Terms with Rhino Products Limited (Rhino) for a lease of the building. Rhino are Europe's leading manufacturers and suppliers of roof racks, bars, ladder restraints, rear doorsteps and other accessories for commercial vehicles.

Rhino is currently headquartered in Deeside, Flintshire where their 5,109 m^2 (55,000 ft^2) manufacturing facility is located and they currently have three European sites. Rhinos Deeside facility is now full to capacity and operationally unsustainable. Over the years they have constructed new buildings on the site but it is now fully developed. The proposed new facility will become Rhinos new European headquarters with the Deeside facility being retained and used for more 'dirty' manufacturing processes. Rhino's key aim is to improve their market image to a more high quality 'German' type operation. The proposed new facility will help achieve this by providing a new purpose built headquarters with high quality office, back of house space, manufacturing and distribution accommodation.

The proposed development is not commercially viable and requires a grant of £792k, which is the funding being requested from the EZ Retained Business Rate Investment Support Fund (BISF).

A detailed planning application has been submitted with a positive decision expected in mid July 2018. On the basis of a positive decision on the BISF grant application by the end of July 2018 construction works are programmed to commence at the end of August 2018 with completion of the building by the end of April 2019. Rhino need to be operational in the new facility by the end of May 2019. A development programme is included within Appendix 4.

The key objectives and deliverables of the project are as follows:

- To re develop a vacant 1.56 hectare brownfield site (by April 2019);
- To provide a 7,822 m^2 (84,196 ft^2) new production/warehousing building (by April 2019);
- To provide a new facility for Rhino to accommodate their existing and future growth plans and create approximately 80 new job opportunities (77 net additional jobs at the CWLEP level);
- To provide approximately £146k per annum of additional Business Rate revenue once Rhino have taken occupation of the building;
- To lever in approximately £4.8m of private investment by June 2019; and
- Generate approximately £6m in net additional Gross Value Added (GVA) per annum at the CWLEP level once the facility is fully established.

2. Please provide detail as to how this project will contribute to achieving the aspirations for the Cheshire Science Corridor as established within the overarching Development and Investment Strategy and for your site as set out within your site specific Development Plan. In particular in terms of supporting (c.500 words):

- Vision
- Strategic objectives
- Target sectors
- Priorities for investment

The Development and Investment Strategy for the Cheshire Science Corridor Enterprise Zone (EZ) includes a select portfolio of 'pump primed' sites, which offer a unique opportunity for businesses wishing to establish production facilities along side the centers of science excellence (particularly the Protos Energy Hub at Ince Park). The Newport site is included within the Ellesmere Port portfolio of sites.

The Vision of the Cheshire Science Corridor (CSC) is to be an internationally renowned science and technology cluster and a major driver of future business growth in the sub-region. In order to achieve this the EZ's key strategic objective is to attract in the order of 500 businesses and create almost 20,000 jobs over its 25-year life. This project will provide a new European headquarters building for Rhino who are a growing inward investor business. Rhino will establish a major new production and distribution facility within the EZ, which will ultimately result in significant new jobs being created.

The Development and Investment Strategy for the Newport site has a focus on attracting businesses from the Advanced Manufacturing, Environmental Technologies and Automotive sectors. Rhino will use the new building to both manufacture and distribute goods to businesses operating in the Automotive sector.

3. Which other local and national strategies will the project contribute to and how? E.g. Cheshire & Warrington Strategic Economic Plan (SEP); Industrial Strategy; Local Strategic Policy etc. (c.300 words)

This project supports the following two of Foundations of The **Governments Industrial Strategy (2017)**:

- Business Environment – Sector deals are one of the major components of policies in this area. Amongst other challenges the Automotive Sector deal is focused on the challenges in supply chains (i.e. businesses such as Rhino) in the new trading relationships resulting from Brexit.
- Places – tackling regional disparities in productivity and economic performance – This project will result in additional GVA and new jobs in the CWLEP area.

Northern Powerhouse Strategy (November 2016) – This project will support the Enterprise and Innovation objective of this strategy by providing a new facility for a business in the knowledge intensive sectors (i.e. Advanced Manufacturing & Automotive) to develop innovative ideas and grow. Rhino will have a research and development function in the new facility.

This project will contribute to the **Cheshire & Warrington Strategic Economic Plan (2017)** aim to grow (by 2040) the CWLEP economy by £50 billion pa in GVA (this project has the potential contribute £6m in net additional GVA pa) and create 120,000 net additional jobs (this project has the potential to create 77 net additional jobs). A strategic theme of the SEP is upgrading infrastructure and by providing a new building for Rhino to establish a new headquarters and production/distribution facility this project will help achieve a key objective of this theme i.e. providing readily available employment sites that meet the needs of key economic sectors and attract inward investment.

The project is located in the **Atlantic Gateway**, which is identified by the CWLEP as a key strategic priority. One of the Atlantic Gateway's priorities is to support the delivery of the Ellesmere Port Strategic Regeneration Framework. One of the themes of this Framework is to deliver employment growth in key development zones including the Eastern Employment Zones, which includes the Newbridge Road development area within which this project is located.

4. Please provide evidence of the market need or demand for the project (including e.g. enquiry schedules and market review as relevant) (c. 200 words).

Demand in the market is clearly demonstrated by this project as Andrews have agreed Heads of Terms for a pre let of the completed building to Rhino.

In terms of market need (I.e. the need for EZ Grant) this can be demonstrated as follows:

- The development appraisal for the project indicates a cost/value viability gap I.e. it is not a commercially viable proposition for Andrews without the BISF grant at the level being requested.
- Andrews have developed four units at Cloister Way/Chapter House Close in Ellesmere Port on a speculative/pre let basis without the need for public sector grant assistance. However, these units were much smaller in size and were a very basic specification/design as compared to the proposed new building for Rhino. The proposed new building will be Rhino's new European HQ which has necessitated a high level of design quality and specification which is more costly to construct than the other units Andrews constructed at Cloister Way/Chapter House Close. Rhino will be paying a market rent which reflects the design and specification of the building which Legat Owen have confirmed is at a market facing level. Also, the other units built speculatively by Andrews were constructed (by their construction arm – Portal Construction) over a c4 year period during the recession on an 'ad hoc' basis as funding became available which resulted in a relatively low overall build cost which helped viability. Andrews will not have this programme flexibility (and opportunity to minimise construction costs) with the proposed new building as Rhino have set a fixed date when they need the building to be completed and operational.
- Andrews have only agreed Heads of Terms with Rhino for the proposed building and they have not entered into a formal Agreement for Lease. In order to meet Rhino's programme requirements Andrews have had to take the risk in submitting a planning application and securing the site purchase. Andrews will not commit further to the project I.e. by entering into the Agreement for Lease with Rhino or commencing construction until the project is a commercially viable proposition I.e. the need for BISF grant at the level requested to achieve this.
- Rhino will be in a position to claim Enhanced Capital Allowances (ECA) for their own fit out of the building (including machinery) which they will be funding I.e. outside the base build works being funded by Andrews. The ability for Rhino to claim ECA's was an important consideration in their decision to make Ellesmere Port their preferred location for their new HQ.

5. What is the rationale for intervention by the Enterprise Zone? What barriers/problems will the project address (e.g. market failure) and/or the opportunities it will unlock? (c. 200 words)

The rationale for public sector intervention in this project is supported by the existence of the following interlinked market failures:

- **Imperfect Information** – There is continued uncertainty in the local property market, with limited new development over the last five years due to a lack of confidence and funding. The perceived risks associated with businesses in the sector together with other inter-linked market failures, means that a supply of suitable accommodation is not readily available;

- **Negative externalities** - In the absence of public support the project would not go ahead primarily because it is not commercially viable i.e. there is a cost/value viability gap as a result of the following factors:

  - **Construction Costs/Property Value** – Before the financial crisis in 2008 property values (rents and investment yields) and construction cost levels in Ellesmere Port were nearing a point whereby industrial development was commercially viable without the need for public subsidy. Since the 2008 financial crisis construction costs generally have increased by c20%. However, during this time industrial property rental/capital values decreased and they have just about recovered to pre 2008 levels. Also, rental/capital values in Ellesmere Port still lag behind prime areas in the North West around the M6 corridor and Manchester. In this context of increasing construction costs and static property values over the last 10 years speculative industrial development or high quality pre let industrial development in Ellesmere Port is still not commercially viable without public subsidy.
  - **Construction Costs of building to high quality –** The proposed new building will be Rhino's new European Headquarters, which requires that it is constructed to a high quality in terms of design and specification. Providing a high quality end product results in higher construction costs which impacts on viability.

- **Positive externalities** – the project would result in positive externalities, such as supply chain developments, increased competitiveness and regeneration benefits and strengthening the local economic base. However, these benefits will not be fully taken into account and as such are unlikely to stimulate investment in the project, in the absence of intervention from the public sector.

Given that Andrews have agreed Heads of Terms for a pre let of the building to Rhino, it is clear that there is an imbalance in the demand/ supply equation i.e. an opportunity in the market, which this project can capitalise on if unlocked by the proposed BISF investment. Rhino have identified Ellesmere Port and the proposed building as their preferred location for their new European Headquarters. If the project does not proceed then Rhino will consider other locations for their new European headquarters particularly North Wales near to their existing facility in Deeside.

Part 2 – Economic Case

6. What are the main direct and indirect quantitative outputs that the project is expected to generate? Please populate the table below by financial year, adding additional rows as appropriate. Provide details of how the outputs have been estimated in the box below.

Expected Tangible Outputs	Direct or Indirect	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23	Future Years	Total
Floorspace created (sq m)	Direct		7,822					7,822
Floorspace refurbished (sq m)								
Brownfield land reclaimed (Ha)	Direct		1.56					1.56
Businesses accommodated (no.)	Direct		1					1
Business rates retained (£)	Direct		133,000	146,000	146,000	146,000	146,000pa	
Jobs (FTE) – direct								
Jobs (FTE) – indirect			77					77
Jobs (FTE) – construction	Direct	3						3
Economic activity (GVA) - £m	Indirect		3	6	6	6	6pa	
Private Investment Levered (£m)	Direct	4.099	0.756					4.855

Output assumptions:

The direct outputs from the project relate to the following physical outputs, which the BISF investment will be used to fund:

- Floor space created – Measured by the Architect.
- Brownfield land reclaimed – Measured by the Architect.
- Businesses accommodated – Rhino will be occupying the building on completion.
- Business rates retained – Calculation basis detailed within Question 7 below. The future years figure does not take account of increases in RV and Business Rates multipliers as a result of future rating revaluations.
- Construction jobs created – Calculation is based on £150,000 of construction expenditure per employee benchmark and 1 FTE equivalent to 10 person years of employment i.e. Construction cost - £5m = 33 person years of employment = 3.3 FTE say 3.
- Private Investment Levered – This is the cash funding which Andrews will be providing.

In terms of indirect outputs Rhino will be creating approximately 80 new jobs at the proposed new facility. In terms of the calculation of additionality factors relating to the estimated job creation these have been calculated as follows and detailed within Appendix 5.

Gross Jobs 80 – This is based on an estimate of FTE's jobs Rhino will create at the proposed new facility and is split between Manufacturing/Production (48), Office based (28) and Research & Development (6). A letter from Rhino confirming the job creation estimates is included within Appendix 6.

Net Jobs 50 – This has been calculated allowing for the following additionality factors:

Displacement – Rhino will retain the majority of existing jobs at their Deeside facility. Due to the travel distance from Deeside to Ellesmere Port and more importantly the associated cost of travel (relative to salary levels) it is not feasible for existing employees at Deeside to relocate to the proposed new facility at Ellesmere Port. Also, Rhino previously relocated its business from Buckley in North Wales (where the majority of staff lived) to Deeside which is approximately six miles further away from the Deeside facility which further increases the travel time to Ellesmere Port. As the proposed new facility will be Rhino's European HQ approximately five of the its key senior management team will relocate to Ellesmere Port. These relocated jobs will be from outside the CWLEP area and England. On this basis Displacement has been included at 0%

Leakage – It is considered that the majority of new jobs will be taken up by CWLEP residents however due to geographic proximity it is recognised that some of the jobs will be taken up by residents from Merseyside and North Wales. In this context it is considered that a 25% allowance for leakage is appropriate.

Multiplier Effects - This allowance is for indirect and induced economic activity associated with additional local income and local supplier purchasers. According to the HCA, 1.29 is the local composite multiplier that should be used for industrial and manufacturing developments which is the multiplier which has been adopted.

Gross Value Added £6m per annum - The estimate is based on the Liverpool City Region (LCR) Annual GVA per FTE in the manufacturing sector of £82,492 (Source: ONS Regional Accounts and BRES - 2016). The LCR figure has been used as a base due to Ellesmere Port being close to the LCR and probably more aligned economically rather than Cheshire & Warrington.

7. Generating additional Business Rate Revenue is the short-term priority for the Enterprise Zone. Please expand upon how the rates retained have been estimated, including calculations and assumptions based on breakdown of floor space and rateable value evidence (c.150 words)

The estimated Rateable Value (RV) of the completed building is based on the most recent comparable RV assessment of the nearby Cloister Way unit occupied by Helukabel, which adopts the following values:

- Warehousing – 37.05 per m^2
- Office - £44.46 per m^2

Adopting the above-mentioned values in respect of the proposed new building the estimated annual Business Rates Revenue is approximately £146,000 per annum (detailed calculation included within Appendix 7).

8. Are there any other wider benefits (including social, environmental and temporary effects) that the project will generate? (c. 200 words)

The project will generate the following wider benefits:

- Provision of a new facility for a major target sector inward investor on a sub regionally important employment site for the Ellesmere Port and wider CWLEP area;
- Environmental enhancements to a long term vacant site;
- Building of confidence in the local property market to other developers and investors resulting in increased property values and reduced need for grant support to make development a commercially viable proposition;
- Fostering innovation – the proposed building will provide a new facility from a business operating within the Automotive target sector which is characterised by entrepreneurial and enterprising activity.

The main beneficiaries of the project will be:

- Local contractors and supply chain companies who will benefit during the course of construction of the project;
- Local people who will be able to seek employment within Rhinos new facility – a range of skills will be required from professional staff, managerial personnel to technical assistance and junior staff;
- Local supply chain companies who will be able to supply Rhinos proposed new facility.

9. Please demonstrate that the benefits of the project are additional, i.e. that the intervention does not simply displace other existing activity or would have been smaller or of a lower quality. (c. 150 words)

This project is not commercially viable without public sector subsidy. As such it is clear that without the BISF grant being requested (i.e. the deadweight or 'do nothing' position) the project would not proceed. If the project does not proceed the opportunity to attract a major new target sector inward investor to the EZ and the wider CWLEP area will be lost. In this respect, intervention with BISF will result in Rhino establishing a new facility in the EZ, which will result in the creation of new jobs with the associated economic benefits this will bring to the CWLEP area.

The estimated economic impacts from the project take into account additionality factors i.e. deadweight, displacement, leakage and multiplier effects.

The proposed size, quality and specification of the building have been designed to satisfy the requirements of Rhino. A smaller, lower quality/specified building would not meet Rhino's requirements.

Part 3 – Commercial Case

10. Please describe how the project would be delivered and identify the key stakeholders. Please include who will act as Project Manager, how construction will be procured etc. (c. 300 words)

Andrews will be responsible for the overall organisation and management of the project including the appointment and management of the professional team, solicitors, procuring the construction works and management of the new building. Andrews has appointed an experienced professional team to deliver the project including NT Consulting (Grant Funding Consultant) and C4 Consulting (Architect & project Manager/QS).

It is proposed that Portal Construction NW Limited (Portal) who has common ownership to Andrews will be appointed as the main contractor for the new building. Portal will be undertaking a two-stage procurement process for the main construction sub contract works packages. The first stage will involve the completion, by interested parties, of a Pre-Qualification Questionnaire (PQQ). Potentially interested parties will be made aware of the opportunity through advertising on the 'my tenders' website. PQQ's will be objectively scored by reference to a published scoring matrix. Sub Contractors successful at PQQ stage will be provided with an Employers Requirements pack of information. Following receipt of tenders and compliance checks C4 Consulting will prepare a comprehensive Tender Adjudication report recommending the appointment of the lowest priced fully compliant tenderers.

The procurement of the main sub contract works packages I.e. structural steel, roof, windows, floors etc will be commenced following the commencement of groundworks which are programmed to commence at the end of August 2018. As is normal practice for major contractors Portal will undertake the groundworks element using its own workforce/equipment which is the most cost effective way of undertaking the works.

Key stakeholders interests		
Stakeholders	**Interests**	**Consultation Undertaken/to be undertaken**
Andrews	• Scheme promoter and developer • land-owner	The owners of Andrews have given their approval to proceed with the project and provide the required funding contribution. This approval is subject to the award of a £792k BISF grant. The owners of Andrews will be requested to approve the grant agreement and other contractual/financial matters. They will also be provided with progress/financial updates as the project proceeds.
Cheshire West and Chester Council (CWC)	• Planning authority – Support confirmed following pre application discussions on the detailed planning application	Andrews and their professional team will continue to liaise closely with CWC as part of the detailed planning process.

Key stakeholders interests		
Stakeholders	**Interests**	**Consultation Undertaken/to be undertaken**
CWLEP & EZ Board	Sub-regional economic growth body	Rhino will liaise closely with CWLEP in terms of maximising take up of job opportunities by local people and business from the local supply chain.
Local People and Existing Businesses	• To be consulted as part of the detailed planning process	Statutory consultations will take place as part of the detailed planning process. Rhino will give local people the opportunity to access employment opportunities that will be created.
Occupier (Rhino)	• Consulted as part of the project development	Andrews has worked closely with Rhino to secure the agreement of Heads of Terms for the pre let of the building. Andrews and their professional team have also consulted Rhino on the design and specification of the building in order to ensure it meets with their operational requirements.

11. Please demonstrate that you and the key stakeholders each have the appropriate capacity, capability, systems and expertise to deliver the intervention successfully. This could include examples of similar projects completed elsewhere (c. 200 words)

Andrews has been established specifically to undertake the project. The main Director of Andrews also owns Andrews Property Holdings Limited which has developed a significant property portfolio including the following recent developments:

- Development of 2 new industrial buildings at Cloister Way, Ellesmere Port let to Ecorrugated Limited (22,000 ft²) and Helukabel Limited (20,400 ft²);
- Development of new facility (44,000 ft²) at Cloister Way/Chapterhouse Close, Ellesmere Port let to Hertel Limited; and
- Development of a new facility at Chapterhouse Close, Ellesmere Port let to FCC Environmental

NT Consulting (Grant Funding Consultant) and C4 Consulting (Architect & Project Manager/QS) both have considerable experience in delivering publically funded projects. This will ensure that the project is delivered on time, to budget and all the outputs and results are achieved in accordance with BISF contractual requirements.

12. If procuring external partners for this project, please confirm and demonstrate that procurement will comply with public procurement requirements. (c 100 words)

Andrews are not a Contracting Authority. However, in order to ensure compliance with public procurement principles of equal treatment, non-discrimination and transparency a two-stage procurement process is to be adopted for the main construction sub contract works packages.

13. Please evidence how your project complies with the necessary regulations and requirements with regard to: (approx. 100 words)

a. State Aid

b. Legals (e.g. lease agreements, evidence of freehold and/or Memorandum of Understanding)

c. Planning or other consents

d. Other (please specify)

State Aid

- Andrews is eligible to be an applicant for and a recipient of aid under The Regional Investment Aid Scheme ("RIA Scheme").
- Andrews has read the requirements of the General Block Exemption Regulation and has agreed to meet the requirements of RIA Scheme.
- The Project is located within an area identified as falling within the terms of Article 107(3)(c) of the Treaty on the Functioning of the European Union (TFEU) under the UK Assisted Areas Map 2014 - 2020.
- The Project will comprise an initial investment in tangible assets comprising land and buildings.
- It is intended that the asset created will be maintained for a period of not less than 3 years in relation to the proposed economic activity.
- The BISF grant being applied for will not exceed the maximum aid intensity of 30% of RIA Scheme Eligible Costs in relation to the area concerned.
- Andrews will make a financial contribution of more than 25% to the project by way of private sector investment.
- The proposed letting to Rhino will be at market value;
- The activities are not within excluded industrial sectors (GBER Art.13).
- The Project does not exceed the notification thresholds (GBER Art.4).

Legal

Andrews have exchanged contracts with CWC for the purchase of the long leasehold interest in the site subject to planning.

Planning

The site is designated as an 'employment site' in the Local Plan. Pre planning application discussions have been held with CWC and in principle they are happy with the proposed scheme. A detailed planning application has been submitted with a positive decision expected by mid July 2018.

Part 4 – Financial Case

14. Provide a summary of the anticipated project costs, funding by source and revenue (adding additional lines as required). The figures should be supported by a development appraisal and evidence of costs, rental values and yields where appropriate.

Project Item	Confirmed or Estimated	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23	Future Years	Total
Costs								
Land	**Confirmed**	**0.468**						**0.468**
Construction	**Estimated**	**4.178**	**0.797**					**4.975**
Professional Fees	**Estimated**	**0.015**	**0.005**					**0.020**
Other Fees/Costs	**Estimated**	**0.055**	**0.021**					**0.076**
Finance Costs	**Estimated**	**0.052**	**0.056**					**0.108**
Total Costs		**4.768**	**0.879**					**5.647**
Funding								
Total EZ Request	**Estimated**	**0.669**	**0.123**					**0.792**
Other Public Sector								
Private Sector	**Confirmed**	**4.099**	**0.756**					**4.855**
Total Project Funding		**4.768**	**0.879**					**5.647**
Revenue								
Total Revenue								

Provide any supporting information here including evidence/confirmation of any matched funding.

Please provide a copy of your development appraisal and any supporting cost schedules.

A detailed development appraisal is included within Appendix 8 and a construction cost plan is included within Appendix 9.

Andrews 4 Property Limited is part of the Andrews Property Group which includes eight other property development/investment companies. These companies will be providing the c£4.5 of development funding required to complete the project by way of inter company loans on commercial terms.

15. Please explain why EZ funding is necessary, for example due to a funding gap, and how the project will ensure the minimum cost to the EZ. Consider overage and claw-back position (c. 250 words).

A detailed investment development appraisal has been undertaken to assess the overall need for BISF grant. A detailed development appraisal and cash-flow is included within Appendix 10 and summarised below:

Development Cost	**£**	**Comments**
Site Acquisition	468,320	Agreed purchase price Calculated SDLT
Construction	4,975,354	Based on detailed cost plan included within Appendix 7
Professional Fees	20,000	Based on agreed fees
Other fees/costs	76,049	Based on actual costs, agreed fees and market rates
Finance charges	108,049	Based on market levels
Development profit	539,456	10% of Net Development Value in line with market level
Total Development Costs	**6,187,228**	
Completed Net Development Value	**5,394,558**	Based on agreed rent & rent free Yield based on valuation advice
Cost/Value Viability Gap	**792,670**	

As required by the Local Government Act (s123 (2)) CWC are required to dispose of land at market value i.e. the agreed purchase price for the site.

Andrews have agreed the following heads of terms with Rhino (detailed within Appendix 11):

- Rent - £5/ ft^2
- Rent Free – 6 months
- Lease Term – 10 years with tenant only break at year 5

Legat Owen have provided valuation advice on the completed value of the proposed new building which is included within Appendix 12 and summarised below:

- Legat Owen are of the opinion that having regard to the size and specification of the proposed building the agreed rent of £5/ ft^2 is in line with current market expectations. By way of illustration Legat Owen are currently marketing Diva 100 (100,000 ft^2 new build warehousing unit) situated on the Sealand Industrial Estate in Chester at a quoting rent of £4.75/ ft^2.

- Legat Owen are of the opinion that the agreed rent free period of 6 months is less than would be expected for a building of this size and nature but reflects the fact that Rhino have an option to break at the end of the fifth year of the lease term.

- Legat Owen are of the opinion that as a consequence of the lease term certain being only 5 years (Rhino have a tenant only break at year 5 of the 10 year lease) the investment yield would be fairly reflected at between 7% and 7.5%. The 7% investment yield adopted in the appraisal is at the upper end of the expected range and the incorporation of the break after 5 years will inevitably reduce the potential investment market for the asset.

As demonstrated above the proposed development is not commercially viable and has a cost/value viability gap of £792,670, which is the amount of grant being requested from the BISF.

It is proposed that the BISF grant is made on the condition that there is an overage arrangement to recover any 'super profit'. In line with accepted procedures for public sector grant funded commercial development projects it is proposed that overage is calculated when the letting of the building is completed at 50% of the completed value of the building over and above a Base Value agreed as part of the appraisal capped at the amount of BISF grant received.

16. Has consideration been given to other alternative sources of funding which could be accessed to support this project? E.g. Commercial loan; Transport for North/Highways England; government funding in response to Energy Strategy or Industrial Strategy. If so, why have they been discounted?

Consideration has been given to applying for ERDF for the projects grant-funding requirement. However, this funding option has not been pursued due to the timescales associated with obtaining an ERDF grant approval (c6 months) and more importantly SME Occupier restrictions, as Rhino are a large enterprise.

On the basis of a £792k BISF grant Andrews have access to the funds required to undertake the project. The project requires grant not loan funding to be commercially viable as demonstrated by the development appraisal for the project. On this basis if public loan funding (through Evergreen/CWLEP/BISF) was only available instead of grant the project would not proceed.

17. Can you confirm and demonstrate that there is sufficient capability to meet the financial requirements and liabilities that flow from receipt of EZ support (e.g. to fund cash flow ahead of grant and to meet any cost overruns). (c. 200 words)

Andrews advisors have considerable experience of the financial management of publically funded projects and have established and proven procedures in place to ensure that all financial compliance conditions and requirements are adhered to.

Andrews will have sufficient cash to fund the project costs. This will be at a level to allow for the payment of BISF grant monthly in arrears against construction cost expenditure.

The project costs have been estimated with advice from experienced professionals. A 5% construction cost contingency is included in the project costs. Andrews will have funding in place to cover any cost overruns (not covered by the contingency allowance) relating to unforeseen costs.

Part 5 – Management Case

18. Please provide a programme for the project via a Gantt Chart and insert the indicative timescales for the key project milestones in the table below:

Milestone	**Indicative Timescale**
Submission of Outline Business Case	April 2018
Funding Approvals	July 2018
Planning and other statutory approvals	July 2018
Site purchase completion	August 2018
Appointment of preferred developer / contractor	August 2018
Work Commences	August 2018
Work complete	April 2019
Rhino take occupation	May 2019
Final financial claim date	June 2019

19. What are the top five risks of your project and how do you anticipate to mitigate them?

Risk Register	**Impact (H/M/L)**	**Likelihood (H/M/L)**	**Risk Mitigation**	**Action Owner**
Planning	H	L	Early consultations with CWC Planning. Preparation of robust planning application and supporting documentation.	C4
Cost over runs	M	L	Ensure ongoing review of pre tender cost estimates and ensure a robust sub contractor procurement process is adopted. Include an adequate contingency allowance within the project costs.	C4 Portal
Programme delays	M	L	The construction works programme has been developed by the projects professional team based on their extensive experience of undertaking other projects of this type and	C4 Portal

			scale. A construction programme and key milestone dates will be agreed with Portal, which will form part of building contract.	
BISF Grant not approved	H	L	Preparation of robust Business Case by experienced Grant Consultant	NT Consulting
Pre let to Rhino does not complete	H	L	Andrews have agreed Heads of Terms with Rhino. Close liaison with Rhino and their Solicitor.	Andrews

20. Please identify any other significant constraints and confirm that project is deliverable having regard to these risks and dependencies. (c. 300 words)

The above-mentioned are the key risks at this stage in the projects development. As the project develops Andrews will be adopting a formal and documented approach to facilitate risk being managed in a proactive and coordinated manner. In order to identify and schedule risks the scheme will be reviewed with key project team members to identify risk items that may impact on achieving the project objectives.

It is considered that at this stage in the projects development there are no significant risks or dependencies, which cannot be managed/mitigated, which would result in the project not being delivered.

Assuming the BISF grant is approved at the level requested it is considered that this is a very deliverable project as:

- Andrews have exchanged contracts with CWC for the purchase of the site;
- Andrews have agreed Heads of Terms with Rhino for the letting of the building;
- Andrews and their advisors have the required skills to successfully deliver the project;
- In planning terms the site is zoned for industrial use, a detailed planning application has been submitted and pre application discussions with CWC indicate that there are no concerns;
- The required private funding for the project is in place;
- The projects professional team have been appointed; and
- Construction costs are based on cost advice from C4 Consulting.

Declaration

To be completed by the Business Case Applicant:

I hereby confirm that the information provided in this form is complete and, to the best of my knowledge, accurate.

I acknowledge that the Cheshire & Warrington Local Enterprise Partnership may seek to verify the information set out herein and agree to provide further information where it is available.

I acknowledge that any funding agreement reached with the Cheshire & Warrington Local Enterprise Partnership is provisional until approved by the Enterprise Zone Board and LEP Accountable Body and confirmed in writing.

I understand that any offer of funding will be fixed and final. I accept full responsibility for any cost over-runs and/or liabilities in advance of receipt of any such funds.

Signed…………………………………………………………………………………………………….

Date……………………………………………………………………………………………………….

Name………………………………………………………………………………………………......

Position…………………………………………………………………………………………………..

Organisation/Company……………………………………………………………………………..

Information Checklist

- Site/layout plan(s) – Included within Appendix 2
- Development appraisal – Included within Appendix 10
- Evidence of costs – Included within Appendix 9
- Evidence of market demand/enquiries
- Evidence of rental values and yields – Included within Appendix 11
- State Aid opinion – To be provided
- Confirmation of financial capability - Provided
- Signed declaration

INVESTMENT TERM SHEET

Recipient:	Andrews 4 Property Limited
Project Name:	Helix Business Park Phase 2
Amount of Investment:	£792,670
Purpose:	Development of 7,822 sq m (84,196 sq ft) of a standalone industrial unit at Newport Business Park, New Bridge Road, Ellesmere Port.
Funding:	Growing Places Fund and Local Authority Borrowing
Repayment:	From Enterprise Zone Retained Business Rates in connection with the Project, with a restriction on the Recipient utilising any rate mitigation schemes.
Length of time site must be maintained to Approved Use:	10 years
Key Milestones:	The Recipient is obliged to adhere to the following key milestones within the project: (a) Longstop start date within 12 months (i.e. drawdown of first claim) (b) Practical Completion within 3 years of start date
Draw Down of the Claim:	Monthly claims on a £1:£1 basis up to the agreed Investment level, against various pre-conditions, including: (a) Funder satisfaction with Project Costs at letting of construction contract (b) Funder satisfaction of the State Aid position (c) Funder satisfaction with any third-party funding (d) Recipient has obtained the necessary consents (e) Funder satisfaction with the form of guarantee
Overage:	An overage payment is payable by the Recipient, which is calculated on the sale price or market valuation at an agreed calculation date as follows: (a) Parties agree project costs (b) Parties agree priority return to investor 25% (c) The Funder then achieves 50% of the Overall Surplus after those deductions. (d) Overage is payable on the earlier of Disposal, 5-years after Practical Completion or once the Funder’s Investment has repaid via retained business rates.
Permitted Changes:	Any and all changes must be approved by the Funder via a Project Change Form.
Permitted Disposal:	Andrews 4 property have the right to dispose of part of/the site (without overage kicking in) for leases under 35 years
Security:	A company guarantee is to be provided.

Events of Default/Clawback:	The Recipient will be required to repay the monies in the following events: (a) Any finding of State Aid breach (b) Lack of progress towards Milestones and Targets (c) Material Changes to the Project (d) Usual insolvency provisions
State Aid:	The Recipient is responsible for ensuring that the Project is provided in accordance with State Aid Law.
Monitoring:	Recipient to submit monthly monitoring returns with any investment claims until the end of the Investment Period, after which they will submit an annual monitoring return for the remaining Project Duration (10-years).
Boilerplate:	The document contains the usual provisions and protections regarding Freedom of Information, Bribery Act and Confidentiality for this form of transaction.

Business Case for Guidance for Retained Business Rate Investment Support

Introduction

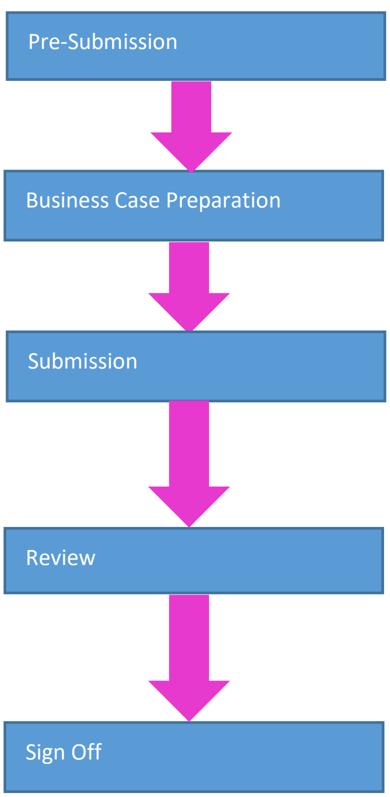
The Site Specific Development Plans and the overarching Development and Investment Strategy has identified challenges which need to be overcome generally or specifically in respect of sites in the Enterprise Zone. The current list of potential investment projects is identified in Table 6.1 of the Development and Investment Strategy. For those projects identified in the Strategy or others that emerge which meet its objectives, a Business Case will need to be made through engagement with the CSC Growth Director and completion of a Business Case Template.

Timescale

Completed business cases can be submitted at any time to respond to your business need. The period to appraise the business case will depend upon its complexity but every effort will be taken to determine them as speedily as possible.

Business Case Process

The process for preparing, submitting and reviewing a business case is summarised below:



- Early engagement with the CSC Growth Director about projects identified in the Development and Investment Strategy or other projects that meet EZ objectives

- Preparation of Business Case and supporting evidence

- Completed Business Case and supporting evidence to be submitted to CSC Growth Director
- CSC Growth Director to review the business case and ensure all required information has been submitted

- Technical review including appraisal of business case against agreed criteria
- Consideration of business case and review of EZ Steering Group

- As appropriate – confirmation from landlord / council regarding match funding / financial scheme
- Recommendation to be considered and approved by EZ Board

Preparing Your Business Case

It is anticipated that in working up your project and in advance of submitting your completed business case all applicants will engage with the CSC Growth Director. He will liaise with partners to clarify what will be required in the business case and what evidence needs to be submitted to support your case. He will signpost applicants to other partners who may be able to provide support in preparing the necessary evidence. This stage will focus on understanding the nature of the project, the need for public intervention and the nature of investment support being sought and whether alternative sources of funding are more appropriate or could also be accessed.

Submission Process

Completed business cases should be submitted to john.adlen@871candwep.co.uk. The CSC Growth Director will undertake an initial review of the business case/supporting evidence and ensure that the submission is complete.

Review Process

- **The Business Case Review Team –** the appraisal process will involve the following people/ organisations - the CSC Growth Director, EZ Steering Group, EZ Board and relevant departments of the local authorities as appropriate to the specific business case
- **Technical Review** – if required will be undertaken by an external independent appraiser who will assess the business case against the agreed criteria (see below)
- **Financial Support** – where relevant the business case will need to include evidence of commitment of funding from other partners such as a local authority if they are supporting the case financially for example through prudential borrowing
- **Approval** – this will include a recommendation from the Steering Group which will be considered by appropriate local authority committees (as relevant), the EZ Board, LEP Performance and Investment Committee for sign off and the LEP Board for ratification.
- **Appeal** - The decision to make an award is discretionary on a case by case basis. Requests for appeal should be made in writing to the LEP no later than one month after the date of the determination. Appeals will be considered by the relevant local authority in line with its own appeals process and a decision communicated to the EZ Board. This decision will be final with no right of further appeal

Appraisal Criteria

The priority objective of the EZ in the short term is to support the delivery of new or refurbished floorspace which will attract high quality occupiers and which deliver the following outcomes:

- facilitates additional business rate retention
- supports job creation
- increases economic growth
- facilitates business start ups
- supports business expansion
- attracts private sector investment

As such, the assessment of any business case must be assessed on the extent to which it supports the following:

- Fit with CSC Strategic Vision/SEP
- Assessment against the Development & Investment Strategy Objectives
- Annual scale of Business Rate Retention
- Floorspace generated/refurbished
- Number of jobs created
- Environmental Improvements
- Other Benefits – temporary and qualitative
- Private sector leverage/value for money
- Market justification – need/demand
- Deliverability of the project
- Delivery timescale

Cheshire Science Corridor Investment Business Case

Project Name: AVIATOR

Applicant/Project Details	
Lead organisation:	Redsun Projects Ltd
Lead contact:	Nick Wightman
Position:	Director
Phone number:	0151 556 1890
Email address:	Nick.wightman@redsundevelopments.co.uk
Postal address:	322a Cotton Exchange, Bixteth Street, Liverpool, L3 9LQ
Location of project (full address and/or location plan):	Hooton Park, North Road, Ellesmere Port, CH65 1AL
Total project cost:	£10,786,918
Grant/loan requested – capital or revenue:	Capital grant funding of £1,701,418

Purpose of the Business Case

The overarching Development and Investment Strategy for the Cheshire Science Corridor sets out the vision, objectives and investment priorities for the Enterprise Zone. In order to maximize the scale of the Business Rate Retention re-investment pot, the focus of investment in the early years will be on projects that unlock and accelerate the delivery of new floorspace.

The purpose of the Business Case application is to propose projects seeking EZ investments that meet the aspirations of the Development and Investment Strategy and the site specific Development Plans. The application is aligned with the principles of the Government's 'Green Book' five case appraisal approach and seeks to determine:

- Strategic Case – The case for change and fit with strategic objectives
- Economic Case – The outcomes of investment and value for money
- Commercial Case – Capability to deliver
- Financial Case – Justification of cost to EZ and other stakeholder commitments
- Management Case – Programme and risk management

The Business Case will be assessed by the EZ Board to determine the project's suitability for funding and scale of funding to be offered, if any. Further details as to the process for applications for EZ funding can be found within the Development and Investment Strategy.

Part 1 – Strategic Case

1. Please provide a brief description of the project, including its objectives, key deliverables, the purpose and type of intervention funding being sought. Your case should be supported by site and/or layout plans as appropriate (c. 500 words).

Hooton Park is a vacant derelict site situated on the North Road Industrial estate, next to Vauxhall Motors car assembly plant. The site has been in public ownership for decades and many previous attempts at generating development on the site have failed. Redsun exchanged a conditional contract with Homes England in December 2017 to acquire and develop the site. Redsun have committed significant resource to the site to date to bring it to a stage where it can be positively presented to the occupational and funding market.

Site investigations have been undertaken, a design team is in place, planning application has been submitted and marketing of the development branded as AVIATOR is underway. AVIATOR plays on the sites historic importance as an airfield during WW1 and WW2.

Redsun wish to deliver a high quality development of a single 125,000sqft industrial unit on this prominent employment site. Ellesmere Port has a dearth of high quality buildings of sufficient scale to attract major employers into the area. Ellesmere Port has many factors that are attractive to key employers such as good transport connections and a readily accessible labour market. A key obstacle to locating business in the area is shortage of readily available building stock. The lead-in time for a design and build development is circa 12-15 months, and often investment decisions are needed for new premises with a much shorter lead-in time.

Grant funding will allow Redsun to undertake the development on a speculative basis which will bring much needed stock to the market, allowing Ellesmere Port to secure investment enquiries that cannot wait the 12-18 months required for a Design & Build pre-let development.

The strategic objectives are as follows:

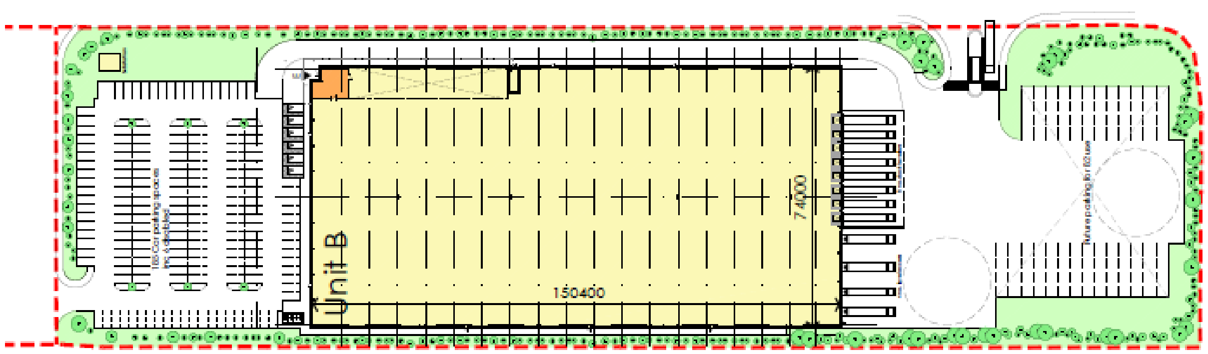
- Deliver a high quality building able to attract key regional occupier requirements
- Generate income for the LEP via business rates
- Improve the profile of Ellesmere Port as a business and investment location

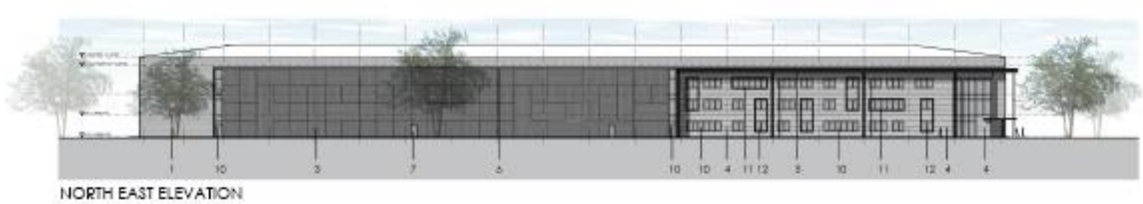
Redsun Projects will deliver a new high quality industrial development of 125,044sqft which will meet requirements within the market for logistics/manufacturing sectors.

The key deliverable will be a completed building and new floorspace of 125,044sqft with high environmental performance. The building will generate Business Rate of £200,520 per annum. Likely employment figures (based on current HCA job density guidelines) range from 150 jobs for logistics use (Regional Distribution Centre) to 322 for industrial/manufacturing use.

The intervention being sought is for gap funding of £1,701,418 in order to fill the cost/value gap for the development.

Please see attached site layout plan.





The following link is for a dedicated website for the AVIATOR development which contains further aerial images and plans, to put the site in context.

https://www.aviatorindustrial.co.uk/

2. Please provide detail as to how this project will contribute to achieving the aspirations for the Cheshire Science Corridor as established within the overarching Development and Investment Strategy and for your site as set out within your site specific Development Plan. In particular in terms of supporting (c.500 words):

- Vision
- Strategic objectives
- Target sectors
- Priorities for investment

Hooton Park is named within the D&I strategy for which there is a site specific Development Plan. Hooton Park is named amongst the 'Ellesmere Port sites' which are estimated to create 1,957 jobs focusing on the Advanced Manufacturing, Environmental Technologies, and Automotive sectors. The target sectors for this development are Advanced Manufacturing and Engineering. There is a well-established supply chain locally supporting the automotive sector at Vauxhall and Jaguar Land Rover, plus the aerospace industry hub at Airbus.

AVIATOR will contribute towards Strategic Objective (2) Unlock and accelerate the delivery of new or refurbished commercial floorspace which will attract and retain high quality occupiers and generate new jobs.

Success will be measured by scale of new floorspace delivered and quantum of private investment.

Development at Hooton Park proposal is named in the D&I as a Priority for Investment. The max cost to the EZ is identified as £9.5m. This proposal for AVIATOR seeks £1.7m. Successful completion of the project will generate business rates retention by the EZ which can be recycled to further support the other priorities for investment in the C&W area.

3. Which other local and national strategies will the project contribute to and how? E.g. Cheshire & Warrington Strategic Economic Plan (SEP); Industrial Strategy; Local Strategic Policy etc. (c.300 words)

C&W SEP

The SEP sets three spatial priority areas. AVAITOR sits within two of these, the Cheshire Science Corridor and Mersey Dee Economic Axis.

Manufacturing and wholesale trade (which would be target occupiers of AVIATOR) is the largest sector for GVA in the C&W area with second quickest growth rate. Over 24,000 people are employed in the C&W area in the automotive sector. Manufacturing and Logistics/Distribution combined account for 40% of C&W GVA.

Within 1 hour of Ellesmere Port is JLR, Getrag Ford, Toyota (engine plant) and Leyland Trucks offering significant supply chain opportunities. Not to mention also Vauxhall motors which is adjacent to AVIATOR.

An objective of the business growth scheme is to increase the contribution to the economy of industries, supply chains and technologies including automotive, chemical and agri-tech.

Ellesmere Port Strategic Regeneration Framework
Ellesmere Port Strategic Regeneration Framework has the following objectives which this project will contribute towards:

- To attract new investment
- To harness employment opportunities in growth sectors

The Framework has 7 key themes, one of which is Delivering Employment Growth in key sectors which includes automotive and port/logistics.

4. Please provide evidence of the market need or demand for the project (including e.g. enquiry schedules and market review as relevant) (c. 200 words).

There is a demand for high quality industrial premises in sustainable locations with good transport links.

Please refer to the attached Knight Frank report detailing current demand and supply within the region. The Executive Summary of this report is copied below for ease of reference:

- The proposed development of 2 units, totalling 450,000 sq ft in two units of 125,000 sq ft and 325,000 sq ft, would suit the current market given the lack of stock available.

- There is currently only 1 brand new unit, which is under construction, of a competing size range with either unit, in Merseyside.

- This scheme would be one of the best speculative developments in the Merseyside region, if not the wider region across to north Wales and into West Warrington.

- No other speculative development has been proposed in Merseyside to date that would compete directly with this scheme.

- The fact that the scheme sits within an Enterprise Zone provides occupiers with opportunities to make crucial savings on their Capital Allowances. This will be of major benefit to occupiers when considering their fit-out plans and the costs thereof.

- We would recommend quoting rents of between £5.25 and £5.50 / sq ft with a view to achieving headline rentals of between £5.00 and £5.25 / sq ft.

- We expect minimum terms of 10 years for the lettings on each of the units and will be aiming for those minimum terms. With the lack of speculative, competing stock in the region, we would hope to achieve 10 years minimum.

- Incentive wise, we expect to offer between 9 and 12 months' rent free for 10 year terms.

- In summary, no better scheme in this size range exists in the Merseyside area and with the lack of competing, speculative development in the pipeline, allied to the strength of the occupational market in Merseyside, there is no doubt that this is the right scheme in the right location.

5. What is the rationale for intervention by the Enterprise Zone? What barriers/problems will the project address (e.g. market failure) and/or the opportunities it will unlock? (c. 200 words)

We believe there is sufficient demand and need within the market for the product proposed here. Occupiers often wish to move into completed buildings, or buildings due to complete within a few months. A design and build development (where Redsun would seek an occupier and then progress with design, planning and construction once a deal with occupier is agreed) can take 12-18 months. The key problem with this approach is the availability of better readily available options for the occupier elsewhere in the region, meaning they would only wish to wait for the D&B route if Hooton Park/Ellesmere Port is an ideal location for them. This significantly restricts the pool of occupiers to go after. There is therefore a 'chicken and egg' situation. The building must be there and complete, in order to have greatest chance of attracting good quality occupiers from the region. This requires the building to be developed speculatively.
Some funders and investors are willing in the current market to fund speculative development in the northwest, but this is only in locations considered to be prime. Prime sites in the north west include Omega Warrington, Logistics North, Manchester Airport and Birchwood Park. Funders considers these locations 'safer bets' for speculative development. Hooton Park/Ellesmere Port is some way from being considered a prime location and will therefore not fund speculative funding at the values required to make the development viable. Grant funding will allow Redsun to fill the cost viability gap and progress the development to delivery.

This will result in the provision of a high quality industrial building able to meet requirements of key sectors and secure any requirements in the market place by offering an immediate solution to occupiers at a competitive rent (when compared to prime locations).
The opportunity for the LEP in addition to securing a key occupier and facilitating investment is the generation of income from the business rates.

Part 2 – Economic Case

6. What are the main direct and indirect quantitative outputs that the project is expected to generate? Please populate the table below by financial year, adding additional rows as appropriate. Provide details of how the outputs have been estimated in the box below.

Expected Tangible Outputs	Direct or Indirect	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23	Future Years	Total
Floorspace created (sq m)			**11,600**					
Floorspace refurbished (sq m)								
Brownfield land reclaimed (Ha)			**3**					
Businesses accommodated (no.)			**1**					

Business rates retained (£)			**200,520**	**200,520**	**200,520**	**200,520**	**200,520**	
Jobs (FTE) – direct								
Jobs (FTE) – indirect			**150**					
Jobs (FTE) – construction			**70**					
Economic activity (GVA) - £m								
Private Investment Levered (£m)			**9.08**					

Assumptions:

Business Rates – Rateable Value of £35 per square metre, which is the RV given to the adjacent building. Floorspace of 11,621sqm gives an RV of £406,735. The current Multiplier Rate of 49.3p gives a Business Rate payable of £200,520. We have assumed the same Multiplier Rate going forward but in reality this will change slightly.

Jobs (indirect) – we have used the HCA Employment Density Guidelines (2015) for Logistics operations which gives a number of 150. If it were a manufacturing operation it would be 322. We have erred on side of caution and included the lower number.

Jobs (construction) – HCA Labour Co-Efficient Ratio of 10 jobs per £1m annual construction spend

Investment Levered (£m) – total project costs less grant

7. Generating additional Business Rate Revenue is the short-term priority for the Enterprise Zone. Please expand upon how the rates retained have been estimated, including calculations and assumptions based on breakdown of floor space and rateable value evidence (c.150 words)

Rateable Value of £35 per square metre, which is the RV given to the adjacent building on North Road known as Phoenix. . Floorspace of 11,621sqm gives an RV of £406,735. The current Multiplier Rate of 49.3p gives a Business Rate payable of £200,520.

8. Are there any other wider benefits (including social, environmental and temporary effects) that the project will generate? (c. 200 words)

The development will create opportunities in the construction supply chain during the main construction phase.
Once complete and occupied there will be employment opportunities arising which will benefit the local economy.
The completed development will enhance the profile of Ellesmere Port as a location to develop/invest making further projects more likely to be delivered.

Strengthen Ellesmere Port as a logistics location particularly in light of the shift towards last mile delivery in the logistics sector.

Phase Two of Hooton Park also becomes more viable once Phase One completes and could be delivered with significantly reduced or no public intervention. There has been no major speculative development in Ellesmere Port since the previous recession. Evidence to the investment market of a successful delivered speculative development will give funders confidence that Ellesmere Port is a market that can support spec development thereby making funding (without public subsidy) for the remainder of the site more likely. AVIATOR Phase One which is the subject of this grant application requires 7 acres of the total 22acre Hooton Park site, so subsequent phases will be made more viable with successful delivery of phase one.

9. Please demonstrate that the benefits of the project are additional, i.e. that the intervention does not simply displace other existing activity or would have been smaller or of a lower quality. (c. 150 words)

This project is geographically specific in that the location is fixed, the site cannot be moved elsewhere, so any development here will add to the current supply and is wholly additional. Without the intervention development of the site could take years to come to fruition, and there is a chance that it remains undeveloped into the long term.

There is little chance of Displacement i.e. locally based firms just relocating as the majority of enquiries for accommodation of this scale are regional or subregional.

The quality of the proposed development will enhance quality if industrial/logistics stock in Ellesmere Port and move aspirations of occupiers on.

Part 3 – Commercial Case

10. Please describe how the project would be delivered and identify the key stakeholders. Please include who will act as Project Manager, how construction will be procured etc. (c. 300 words)

Redsun Projects will be developer for the project taking on all financial risk and entering into contracts for delivery of the scheme.
The building contractor will be undertake the works via a fixed price JCT contract.
Redsun will appoint a design team made up of architect, employers agent, and engineer. The architect and engineer will likely be novated over to the building contractor during the construction phase. Architect (Fletcher Rae) and engineer (Muir Associates) are appointed and have progressed work on the scheme.
Any cost overrun will be the responsibility of Redsun.
Redsun will undertake all site due diligence and surveys.
Redsun have undertaken responsibility to date for the planning process. Planning application has been submitted and decision is expected imminently.
The marketing strategy is guided by the appointed agents Legat Owen and Knight Frank and delivered by Bella Marketing.

11. Please demonstrate that you and the key stakeholders each have the appropriate capacity, capability, systems and expertise to deliver the intervention successfully. This could include examples of similar projects completed elsewhere (c. 200 words)

Redsun are one of the most active developers of commercial floorspace in Merseyside and Cheshire having delivered nearly 1 million sqft of floorspace across a number of different developments in Liverpool, Wirral, Sefton, Knowsley, Cheshire West and north Wales.

Please see attached Development History document.

Nick Wightman will act lead for the project and has extensive experience of delivering similar schemes for Redsun. Nick is company director and Member of the Royal Institute of Chartered Surveyors.

The most recent comparable example is Senate Business Park in Sefton which was a 170,000sqft manufacturing unit delivered for Domino Printing Sciences on land acquired from Sefton Council. This was completed in summer 2017. It is likely that the same design team will be used for this Hooton Park development.

In 2017 Redsun have completed their Canada Dock Exchange (Liverpool), Senate Business Park (Sefton), Power Station (Wirral) and Helix Business Park (Ellesmere Port) projects at a total of circa 350,000sqft

12. If procuring external partners for this project, please confirm and demonstrate that procurement will comply with public procurement requirements. (c 100 words)

Redsun are a private entity and there is no public sector grant in excess of 50% going into the project, so this project is not bound by Public Procurement Regulations.

Any costs will be bench-marked to ensure they are at current market levels.

13. Please evidence how your project complies with the necessary regulations and requirements with regard to: (approx. 100 words)

a. State Aid

b. Legals (e.g. lease agreements, evidence of freehold and/or Memorandum of Understanding)

c. Planning or other consents

d. Other (please specify)

a. Article 14 of General Block Exemption Regulations allows for Small Enterprises to secure up to 30% of investment costs towards investment projects in Assisted Areas. Redsun meet the small enterprise criteria and the site is within an Assisted Area. Formal state aid opinion will be provided by legal expert.
b. Redsun Projects have a conditional a contract with Homes England to acquire the site subject to planning. The contact at HE was Diane Goodwin.
c. All planning requirements and conditions will be complied with, including discharge of any pre-commencement conditions attached to the planning consent. Detailed planning consent is expected July 2018. Planning ref: 18/00922/LDO
d. N/A

Part 4 – Financial Case

14. Provide a summary of the anticipated project costs, funding by source and revenue (adding additional lines as required). The figures should be supported by a development appraisal and evidence of costs, rental values and yields where appropriate.

Project Item	Confirmed or Estimated	2018 / 19	2019 / 20	2020 / 21	2021 / 22	2022 / 23	Future Years	Total
Costs								
Land		**773900**						
Construction		**2500000**	**4357500**					**6857500**
Professional Fees		**200000**	**101188**					**301188**
Other Fees/Costs		**174500**	**2650296**					**2824796**
Finance Costs		**155000**	**683434**					**803434**
Total Costs								**1078691 8**
Funding								
Total EZ Request		**1701418**						**1701418**
Other Public Sector								
Private Sector		**1901982**						**9085500**
Total Project Funding								
Revenue								
Total Revenue								

Provide any supporting information here including evidence/confirmation of any matched funding.

Please provide a copy of your development appraisal and any supporting cost schedules.

Development appraisal and cashflow attached.

15. Please explain why EZ funding is necessary, for example due to a funding gap, and how the project will ensure the minimum cost to the EZ. Consider overage and claw-back position (c. 250 words).

Attached development appraisal demonstrates the minimum level of grant funding required to allow the project to proceed. This funding amount is £1.7m.

If the project does not deliver on its outputs grant could be clawed back.

16. Has consideration been given to other alternative sources of funding which could be accessed to support this project? E.g. Commercial loan; Transport for North/Highways England; government funding in response to Energy Strategy or Industrial Strategy. If so, why have they been discounted?

Redsun will seek commercial funding to provide the private sector backing to the project. High street lenders are generally unwilling to fund speculative development but presence of grant to close the viability gap will resolve this issue.

There is no alternative to grant to fill the cost/value viability gap.

We have sought institutional funding on a forward funded speculative basis and have had no success. The responses were generally two-fold, the funder was either not considering speculative development, or if they were, then the location was not considered to be sufficiently 'prime'.

17. Can you confirm and demonstrate that there is sufficient capability to meet the financial requirements and liabilities that flow from receipt of EZ support (e.g. to fund cash flow ahead of grant and to meet any cost overruns). (c. 200 words)

Redsun will only draw down funds from LEP once we have demonstrated all match funding is in place.

We cannot secure match funding until the grant offer is confirmed as we will need to demonstrate to a funder that there is no viability gap.

Please see letter of support from Lloyds Bank.

Redsun has already funded the project development to date, including land deposit, design team fees, site surveys and marketing. Total development costs to date are circa £380k.

Part 5 – Management Case

18. Please provide a programme for the project via a Gantt Chart and insert the indicative timescales for the key project milestones in the table below:

Milestone	**Indicative Timescale**
Submission of Outline Business Case	June 2018
Funding Approvals	July 2018
Appointment of preferred developer / contractor	October 2018
Planning and other statutory approvals	July 2018
Work Commences	November 2018
Work complete	June 2019
Final financial claim date	July 2019

19. What are the top five risks of your project and how do you anticipate to mitigate them?

Risk Register	**Impact (H/M/L)**	**Likelihood (H/M/L)**	**Risk Mitigation**	**Action Owner**
Cost overun	H	L	Fixed price D&B JCT build contract	Redsun
Planning	H	L	Site subject to LDO. Application already submitted.	Redsun
Environmental	M	L	Intrusive site investigations undertaken. UXO survey work required during construction.	Redsun
Voids	L	M	Agents advise taken on correct scheme design. Proactive marketing	Redsun
Contractor	`H	L	Contractor insolvency protected against by reviewing their financial strength during procurement process	Redsun

20. Please identify any other significant constraints and confirm that project is deliverable having regard to these risks and dependencies. (c. 300 words)

No other significant constraints.

Project is readily deliverable. Redsun have the site under contractual control. Planning consent is imminent. Management team is in place.

Declaration

To be completed by the Business Case Applicant:

I hereby confirm that the information provided in this form is complete and, to the best of my knowledge, accurate.

I acknowledge that the Cheshire & Warrington Local Enterprise Partnership may seek to verify the information set out herein and agree to provide further information where it is available.

I acknowledge that any funding agreement reached with the Cheshire & Warrington Local Enterprise Partnership is provisional until approved by the Enterprise Zone Board and LEP Accountable Body and confirmed in writing.

I understand that any offer of funding will be fixed and final. I accept full responsibility for any cost over-runs and/or liabilities in advance of receipt of any such funds.

Signed……………………………………………………………………………………………………….

Date…………20 June 2018……………………………………………………………………………………………….

Name………Nick Wightman………………………………………………………………………………………......

Position………Director…………………………………………………………………………………………....

Organisation/Company……………………………………………………………………………..

Information Checklist

- Site/layout plan(s)
- Development appraisal
- Evidence of costs
- Evidence of market demand/enquiries
- Evidence of rental values and yields
- State Aid opinion
- Confirmation of financial capability
- Signed declaration

INVESTMENT TERM SHEET

Recipient:	Redsun Projects Limited
Project Name:	Aviator Phase 1
Amount of Investment:	£1,701,418
Purpose:	Development of a 11,600 sq m (125,044 sq ft) standalone industrial unit at Hooton Park, North Road, Ellesmere Port.
Funding:	Growing Places Fund and Local Authority Borrowing
Repayment:	From Enterprise Zone Retained Business Rates in connection with the Project, with a restriction on the Recipient utilising any rate mitigation schemes.
Length of time site must be maintained to Approved Use:	10 years
Key Milestones:	The Recipient is obliged to adhere to the following key milestones within the project: (a) Longstop start date within 12 months (i.e. drawdown of first claim) (b) Practical Completion within 3 years of start date
Draw Down of the Claim:	Monthly claims on a £1:£1 basis up to the agreed Investment level, against various pre-conditions, including: (a) Funder satisfaction with Project Costs at letting of construction contract (b) Funder satisfaction of the State Aid position (c) Funder satisfaction with any third-party funding (d) Recipient has obtained the necessary consents (e) Funder satisfaction with the form of guarantee
Overage:	An overage payment is payable by the Recipient, which is calculated on the sale price or market valuation at an agreed calculation date as follows: (a) Parties agree project costs (b) Parties agree priority return to Recipient of 25% (c) The Funder then achieves 50% of the Overall Surplus after those deductions. (d) Overage is payable on the earlier of Disposal, 5-years after Practical Completion or once the Funder's Investment has repaid via retained business rates.
Permitted Changes:	Any and all changes must be approved by the Funder via a Project Change Form.
Permitted Disposal:	Redsun Projects have the right to dispose of part of/the site (without overage kicking in) for leases under 35 years
Security:	A company guarantee is to be provided.

Events of Default/Clawback:	The Recipient will be required to repay the monies in the following events: (a) Any finding of State Aid breach (b) Lack of progress towards Milestones and Targets (c) Material Changes to the Project (d) Usual insolvency provisions
State Aid:	The Recipient is responsible for ensuring that the Project is provided in accordance with State Aid Law.
Monitoring:	Recipient to submit monthly monitoring returns with any investment claims until the end of the Investment Period, after which they will submit an annual monitoring return for the remaining Project Duration (10-years).
Boilerplate:	The document contains the usual provisions and protections regarding Freedom of Information, Bribery Act and Confidentiality for this form of transaction.

New Bridge Road Substation

Business case

11 October 2017

1. Summary proposal

1.1. The proposal is for the LEP to borrow £676k from the Growing Places Fund to enter into an agreement with Peel Land & Property to purchase a 34% share in a 10 MVA primary substation in the New Bridge Road area of Ellesmere Port in order to facilitate the development of a new £70m paper manufacturing plant on the former Cabot Carbon site and unlock the remaining Enterprise Zone (EZ) development sites in the area which could attract 19 new businesses, create 997 jobs and generate c.£15.8m in retained business rates over the next 24 years.

2. Background/context

1.2. The LEP and Cheshire West & Chester Council (CWAC) have been in discussions with Progroup, a German paper products manufacturer regarding their relocation to the former Cabot Carbon site in New Bridge Road, Ellesmere Port.

1.3. The former Cabot Carbon site is owned by Peel Land & Property and is adjacent to a number of the Enterprise Zone (EZ) sites in Ellesmere Port. Progroup currently have c.20,446 sq m (220,000 sq ft) of space at Pioneer Point, Ellesmere Port (also owned by Peel), which they have now outgrown. Progroup are proposing to purchase the Cabot Carbon site from Peel to build a c.30,669 sq m (330,000 sq ft) paper/cardboard manufacturing plant, which would also house a further c.43,680 sq m (470,000 sq ft) of new industrial floorspace in phase 2. The Progroup investment would deliver c. 50 jobs initially and a total of 140 jobs in the longer-term and represents approx. £70m investment.

1.4. Progroup are also in discussions with Peel Ports and CWAC about the development of a paper mill at Port Cheshire (commercially confidential and CW&C have signed an NDA) that is potentially worth c.£350m total investment. The timescale for this investment if it goes ahead is likely to be 2019/20.

1.5. A key issue for Progroup is the provision of power into the Cabot Carbon site. Progroup has a requirement for a total of 6.6MVA for their new facility. At the same time, we have a number of Enterprise Zone (EZ) sites in the New Bridge Road area that require power supply into them to make them viable for development.

1.6. The LEP commissioned Ove Arup and Partners to undertake a power capacity study for the New Bridge Road area which identified that we need c. 1.7MVA to service the remaining EZ sites in the area. CWAC are also aware that there is a general issue with power capacity in the Cheshire Oaks and New Bridge Road area, with a number of existing businesses reporting power issues. Scottish Power Energy Networks (SPEN) has informed the LEP that there is no additional power capacity in the New Bridge Road area and that they have no plans at present to invest in upgrading the power supply in the area.

1.7. Demand for new industrial floorspace in Ellesmere Port is relatively strong. A number of schemes have been brought forward recently in the New Bridge Road area, including 3,760 sq m (40,457 sq ft) at Cloister Way and 4,830 sq m (51,970 sq ft) at Helix Business Park is currently under construction. Demand for both of these schemes has been strong, with Cloister Way let shortly after completion and c. 2,415 sq m (26,000 sq ft) under offer at Helix.

1.8. Despite this relatively strong demand, speculative industrial development in Ellesmere Port is currently unviable due to prevailing market rents versus build costs. For example, the Helix Business Park scheme received ERDF grant to make it viable. Significant public sector investment has been made in recent years to overcome many of the development constraints in the area, including infrastructure and environmental works. The financial, planning and marketing incentives offered by Enterprise Zone status has provided further impetus to deliver new floorspace and attract occupiers. However, energy capacity is one of the last remaining constraints to development and is currently delaying the current occupier negotiations at Helix.

1.9. Against this background, the LEP has been in discussions with Progroup and Peel to explore the potential for investment in a new primary substation in the New Bridge Road area that would meet the requirements of Progroup and provide power into the EZ sites, which would unlock them for development.

2. Project description

2.1. Peel Land & Property are proposing to purchase and construct a 10MVA primary substation (this is the minimum size for a primary substation) which will provide sufficient power to meet Progroup's requirements for 6.6MVA on the Cabot Carbon site. The proposal is for the LEP to enter into an agreement with Peel Land & Property to 'purchase' the additional 3.4MVA power capacity from the substation for use on the EZ sites, with any spare capacity thereafter made available for expansion of existing businesses or new development projects in the wider New Bridge Road area.

2.2. Peel would fund and construct the primary substation, which would be housed on the Cabot Carbon site. The costs for the substation are £1,448,180 plus £250,000 construction costs, giving a total project cost of £1,698,180. The substation would be operated under an Adoption Agreement by Peel Utilities, a licensed Independent Network Operator (IDNO).

2.3. The IDNO pays a fee to the owners of the substation for operating the asset. This fee is paid as customers are connected to the substation and enter into an agreement to purchase energy from the IDNO. The indicative asset value for Progroup’s 6.6MVA energy requirement is c.£335,000 and the estimated value for the remaining 3.4MVA is c.£190,000, giving a total estimated asset value of c.£525,000. This means that the net cost of the substation would be c.£1,173,180. The remaining costs of the substation would be recouped through charging a pro-rata ‘connection fee’ to developers/occupiers as they connect to the substation.

2.4. The cost to the LEP for purchasing the additional 3.4MVA would be in the region of £577,381 (a total of £676,675 including professional fees and interest) on the basis of a 66/34% split against a total project cost of £1,698,180. The proposal is that the LEP funds this investment through a Growing Places Fund (GPF) loan. The LEP would recoup its costs by receiving a proportion of the operating licence fee from the IDNO (Peel Utilities) estimated at £190,000 and the remainder (£387,381) from charging ‘connection fees’ to developers/occupiers utilising the additional power capacity.

2.5. In addition, the LEP will receive the new business rate income from any development/occupation on the Enterprise Zone sites over the next 24 years and this income can be used in the first instance to repay the GPF loan for the substation in order to offset the risk of developers/occupiers taking up the additional energy supply.

2.6. Time is of the essence, as Progroup need to be operational on the Cabot Carbon site by late 2018. The lead in time for the substation is 12 months, which means that in order for it to be constructed and operational to fit with Progroup's timescales an order will need to be placed as soon as possible.

3. Project rationale

3.1. Without public sector intervention and in the absence of any planned investment by SPEN, the full costs of a primary substation (c.£1.7m) would have to be borne by an individual landowner/developer up front. Given prevailing land values in Ellesmere Port, this would add a significant cost to any development scheme, which would increase the viability gap of development, making the cost of schemes prohibitive. This would represent not only a significant initial outlay by any landowner/developer but also a significant risk, as the only way in which the landowner/developer could recoup the costs of the substation would be if:

a) they have an identified end-user/occupier who requires <u>all</u> the energy provided by a new substation (in this case 10 MVA); or

b) they can sell the excess energy capacity onto other developers/occupiers coming into the area within a fixed time-period as agreed with the DNO/IDNO.

3.2. Given the relatively modest scale of the individual EZ development sites in New Bridge Road and the distributed nature of landholdings, it is highly unlikely that any individual landowner or developer would take such a risk, as they would in effect be subsidising other landowners/future development. On this basis, there is no 'market' solution and the only way in which the infrastructure can be provided is through public intervention.

3.3. Whilst it could be argued that Peel Land & Property has an incentive to invest in the primary substation in order to facilitate the sale of the land to Progroup, it is not necessarily a sufficient enough incentive to make the deal attractive them. If the LEP do not invest in the primary substation, then Peel would be left with c.£700k of costs for excess electricity supply that they would need to find end-users for. Current gross land values in Ellesmere Port are c. £ Gross land values in the NBR area of Ellesmere Port are in the order of £50-200k per acres with the South Road site achieving c.£190,000 per acre in June this year[1]. On this basis the Cabot Carbon site could be worth between c.£2.2m and £8.8m. An additional c.£700k of electricity costs, therefore, would represent between 8% and £31% of the gross land value, which would be sufficient to eat up all or a significant portion of Peel's likely return.

[1] Source: Cushman & Wakefield

3.4. Furthermore, Peel is not under any pressure to sell the site. It is understood that Peel bought the site for £1 and therefore, has no sunk acquisition costs and is not servicing debt on the site. Progroup's cardboard manufacturing plant is energy intensive, but other uses on site, i.e. distribution and logistics would not require the same level of energy[2]. As such, Peel could sit on the site for the foreseeable future and wait for an alternative occupier to come along who do not have Progroup's energy requirements.

3.5. By co-investing with Peel in a new primary substation, the LEP would reduce the direct costs for energy supply to Progroup (who would only pay for the energy they actually need) and secure their long-term presence in Ellesmere Port creating c.50 additional jobs and leveraging direct investment from Progroup of c.£70m in the new manufacturing plant.

3.6. At the same time, the additional energy supply would unlock the EZ sites by effectively removing one of the last development constraints and reducing the upfront costs to any individual prospective developers/occupiers coming onto the Enterprise Zone. The development of the remaining EZ sites in New Bridge Road would see the development of c.32,305 sq m (348,570 sq ft) of new commercial floorspace, attract c.18 new businesses and create c.947 new jobs.

4. Finances

4.1. The table below shows the remaining Enterprise Zone development sites at New Bridge Road, including site size, the total floorspace that could be constructed and the annual estimated retained business rate income.

Table 4.1 Remaining Enterprise Zone Development Land at Ellesmere Port

Site	Total Site Size (ha)	Total Developable Floorspace (sq m)	Estimated Annual Business Rate Income (£)
Cloister Way (CWAC)	0.93	3,255	56,149
Dutton Green	0.6	280	16,565
Helix Business Park (Phase 2)	1.22	4,270	113,155
Newport Business Park	6.47	22,750	602,875
Stanney Mill Lane	0.5	1,750	30,188
Total	**9.72**	**32,305**	**818,931**

4.2. Cushman & Wakefield estimate that current average annual take-up of floorspace in the area is c.4,500 sq m. On this basis, the remaining EZ sites would take approx. 9 years to develop out. For the purposes of this business case the following assumptions have been applied:

a) No development is completed in year 1
b) Phase 2 of Helix Business Park is completed in year 2
c) Cloister Way is completed in year 3
d) Dutton Green is completed in year 4
e) Newport Business Park is developed out incrementally over years 4-9
f) The Stanney Mill Rd site is completed in year 9

[2] The site was previously subject to an abortive deal with Amazon for a distribution centre

4.3. The table below shows the estimated floorspace completions by EZ site over nine years based on Cushman & Wakefield's estimate of current average annual take-up rates in the area and a logical phasing of development schemes as set out above.

Table 4.2 Estimated EZ site floorspace completions

	Yr1 (Sqm)	Yr2 (Sqm)	Yr3 (Sqm)	Yr4 (Sqm)	Yr5 (Sqm)	Yr6 (Sqm)	Yr7 (Sqm)	Yr8 (Sqm)	Y9 (Sqm)	Total (Sqm)
Cloister Way (CWAC)	-	-	3,255	-	-	-	-	-	-	**3,255**
Dutton Green	-	-	-	280	-	-	-	-	-	**280**
Helix Phase 2	-	4,270	-	-	-	-	-	-	-	**4,270**
Newport Business Park	-	-	-	2,787	4,500	4,500	4,500	4,500	1,963	**22,750**
Stanney Mill Lane	-	-	-	-	-	-	-	-	1,750	**1,750**
Total	**-**	**4,270**	**3,255**	**3,067**	**4,500**	**4,500**	**4,500**	**4,500**	**3,713**	**32,305**

4.4. Based on the assumptions above, the projected costs and income for the project are set out in the table below.

Table 4.3 Projected Income & Expenditure

	Yr1 (£,000)	Yr2 (£,000)	Yr3 (£,000)	Yr4 (£,000)	Yr5 (£,000)	Yr6 (£,000)	Yr7 (£,000)	Yr8 (£,000)	Y9 (£,000)	Total (£,000)
Costs										
Capital cost	577.4	-	-	-	-	-	-	-	-	**577.4**
GPF loan interest	-	-	-	-	64.2	-	-	-	-	**64.2**
Professional fees	35.0					-	-	-	-	**35**
Total costs	**612.4**	**-**	**-**	**-**	**64.2**	**-**	**-**	**-**	**-**	**676.6**
Income										
IDNO licence fees	-	11.1	11.1	12.3	12.3	12.3	12.3	12.3	10.6	**94.3**
Connection fees	-	22.8	22.8	25.0	25.0	25.0	25.0	25.0	21.7	**192.3**
Retained business rates	-	113.1	169.3	259.7	378.4	498.2	617.4	736.7	818.9	**3,592**
Total income	**-**	**147.0**	**203.2**	**297.0**	**415.7**	**535.5**	**654.7**	**774.0**	**851.2**	**3,878.3**
Surplus/deficit	**-612.0**	**-465.0**	**-261.8**	**35.2**	**386.9**	**922.4**	**1,577.1**	**2,351.1**	**3,202.3**	**3,202.3**

4.5. The indicative project cashflow indicates a capital project cost to the LEP of £577,381 plus a budget of £35,000 for professional fees (technical and legal) which brings the total project costs to £612,381. It is assumed that the LEP takes out a GPF loan at an interest rate of 4% with the loan plus intertest repayable at year 5. In terms of income, it is assumed that the EZ sites are developed out incrementally over a nine year period in line with the estimated development rates provided by Cushman & Wakefield, with development starting at year 2 as set out in Table 4.2.

4.6. On this basis, the project would break even at year 4 and produce a net surplus over 9 years of c.£3.2m against an initial investment of c.£676k. Total business rate income from the EZ sites in New Bridge Road could be c.£15.8m over the next 24 years.

4.7. Only half of the 3.4MVA purchased by the LEP would be utilised on the EZ sites, which would leave a further 1.7MVA remaining for business expansion or new development in the wider New Bridge Road area, worth up to a total of c.£268k in IDNO operating licence fees and connection fees to end users.

Sensitivity analysis

4.8. Tables 4.4 and 4.5 below provide a sensitivity analysis based on slower development rates of approximately half of Cushman & Wakefield's estimated annual take-up rate.

Table 4.2 Estimated EZ site floorspace completions

	Yr1 (Sqm)	Yr2 (Sqm)	Yr3 (Sqm)	Yr4 (Sqm)	Yr5 (Sqm)	Yr6 (Sqm)	Yr7 (Sqm)	Yr8 (Sqm)	Y9 (Sqm)	Total (Sqm)
Cloister Way (CWAC)	-	-	-	2,250	1,005	-	-	-	-	**3,255**
Dutton Green	-	-	-	-	280	-	-	-	-	**280**
Helix Phase 2	-	2,135	2,135	-	-	-	-	-	-	**4,270**
Newport Business Park	-	-	-	-	965	2,250	2,250	2,250	2,250	**9,965**
Stanney Mill Lane	-	-	-	-	-	-	-	-	-	**-**
Total	**-**	**2,135**	**2,135**	**2,250**	**2,250**	**2,250**	**2,250**	**2,250**	**2,250**	**17,770**

Table 4.4 Projected Income & Expenditure based on reduced development rates

	Yr1 (£,000)	Yr2 (£,000)	Yr3 (£,000)	Yr4 (£,000)	Yr5 (£,000)	Yr6 (£,000)	Yr7 (£,000)	Yr8 (£,000)	Y9 (£,000)	Total (£,000)
Costs										
Capital cost	577.4	-	-	-	-	-	-	-	-	**577.4**
GPF loan interest	-	-	-	-	64.2	-	-	-	-	**64.2**
Professional fees	35.0					-	-	-	-	**35**
Total costs	**612.4**	**-**	**-**	**-**	**64.2**	**-**	**-**	**-**	**-**	**676.6**
Income										
IDNO licence fees	-	5.6	5.6	6.7	6.7	6.7	6.7	6.7	6.7	**51.4**
Connection fees	-	11.4	11.4	13.7	13.7	13.7	13.7	13.7	13.7	**105.0**
Retained business rates	-	56.6	113.1	151.9	213.1	272.8	332.4	392.0	451.6	**1,983.5**
Total income	**-**	**73.6**	**130.1**	**172.3**	**233.5**	**293.2**	**352.8**	**412.4**	**472.0**	**2,139.9**
Surplus/deficit	**-612.0**	**-538.4**	**-408.3**	**-236.0**	**-66.5**	**226.7**	**579.5**	**991.9**	**1,463.9**	**1,464.9**

4.9. In this scenario, the project would break even at year 6 and still produce a net surplus over 9 years of c.£1.4m against an initial investment of c.£676k. On this basis, total business rate income from the EZ sites in New Bridge Road could be c.£8.2m over the next 24 years. In order for the project not to breakeven over 9 years, annual take-up rates would have to drop to c.20% of Cushman & Wakefield's current estimation of average annual take-up rates in Ellesmere Port. This would represent a drop in property demand not seen in the UK since the 2008 financial crisis.

5. Value for money

5.1. The analysis thus far suggests that there is a clear business case for LEP investment in the primary substation solely on financial grounds. However, even without a direct return on investment to the LEP the investment represents value for money solely in economic development terms. For the purposes of this business case we have focused just on the Progroup investment rather than counting the economic benefits generated by the development of the EZ sites.

5.2. The Progroup project is estimated to create c.50 new jobs on the former Cabot Carbon site, which represent a cost per job of c.£13,533, which is below the standard economic development measure of £15,000 per job.

5.3. The project will facilitate the direct investment of c.£70m by Progroup in the construction of their cardboard manufacturing plant. The direct public-private leverage for just for the Progroup investment project is 103:1 – that is for every one £1 of public funding invested in the project it will lever in £103 of private sector investment.

5.4. Table 5.1 below sets out the estimated land value uplift and shows that industrial land values in Ellesmere Port are estimated to rise as a result of Enterprise Zone status. Unlocking the EZ sites would potentially uplift land values by an average of 24%. However, this is due to low industrial land values in Ellesmere Port, which are a reflection of prevailing rental levels and yields. Whilst this uplift in land value alone would not cover the value of the initial investment, the existing low land values are a key part of the rationale for LEP intervention.

Table 3.1 Estimated Land Value Uplift on Remaining Enterprise Zone Sites at Ellesmere Port

Site	Total Site Size (ha)	Current Estimated Land Value (£)	Estimated Site Value Post-EZ (£)	Total Estimated Land Value Uplift (£)	Percentage Uplift in Land Value (%)
Cloister Way (CWAC)	0.93	222,395	271,815	45,961	21
Dutton Green	0.6	222,395	247,105	14,826	7
Helix Business Park (Phase 2)	1.22	222,295	247,105	30,268	14
Newport Business Park	6.47	210,040	247,105	239,811	114
Stanney Mill Lane	0.5	24,711	321,237	148,263	600
Total	**9.72**	**1,982,779**	**2,461,907**	**479,128**	**24**

Source: Cheshire Science Corridor Enterprise Zone submission

6. Benefits

6.1. The key benefits of undertaking this project are:

- Reduces the direct costs of power supply for Progroup as they do not have to cover the full costs of the primary substation.
- Secures the long-term presence of Progroup, a major existing manufacturer in Ellesmere Port and facilitates their expansion, safeguarding existing jobs, creating new jobs and attracting direct investment of c.£70m.
- The Progroup manufacturing plant will facilitate the creation of indirect and induced jobs and spend in the supply chain, including in the construction phase of the project but also in terms of the co-location of a number of Progroup's customers.
- Unlocks the development potential of the EZ sites in New Bridge Road, by removing a significant barrier/cost to development
- Potentially accelerates development on the EZ sites in New Bridge Road, which could produce a total of 32,305 sq m (347,601 sq ft) of new industrial floorspace and an estimated business rate income to the LEP of c.£819k per annum.
- Provides additional energy capacity for expansion of existing businesses in the New Bridge Road area and/or other development outside of the Enterprise Zone.

- The primary substation would be constructed and housed on Peel land. If the LEP or CWAC had to develop a primary substation we would need to house it on one of the EZ sites, which would reduce development footprint/values and subsequently business rate income.

7. Risks

Risk	Impact	Mitigation
The LEP cannot move quick enough to satisfy Progroup's timescales.	At best Peel/Progroup would seek an alternative power supply solution. At worst the land deal with Progroup on the Cabot Carbon site might fall through, potentially meaning they might relocate outside of the region. The direct impact for the LEP would mean that the EZ sites would remain without power capacity, which will stymie their development. Without Peel/Progroup to share the costs, the LEP/CWAC may end up having to purchase a primary substation at the full cost of £1.6m in order to unlock the EZ sites.	Expedite decision-making by seeking Strategy Board and P&I consideration outside of the LEP's normal committee cycle, whilst maintaining full transparency, robustness and accountability of decision-making in line with the LEP's assurance framework.
The project encounters cost overruns.	Increased costs to the LEP, which could mean that the LEP has to borrow more from GPF.	Significant cost overruns are unlikely due to the standard nature of the asset being purchased. Peel have already secured three open market quotes for the purchase and construction of the substation. Could be further mitigated through negotiation of a fixed price purchase of the LEP's proportion energy capacity from Peel.
Slow development of the EZ sites leading to slow take-up of the energy supply	Would impact directly on the income to the LEP, which could hinder the LEP's ability to repay the GPF loan.	The indicative financial model shows significant (35%) headroom between costs and income over the first 5 years to allow for slow development of the EZ sites. If by the end of year 5 there is insufficient income to repay the GPF loan then it could be repaid from the retained business rates from the wider EZ.
Little or no demand for the remaining electricity capacity once the EZ sites have been developed	Would reduce income the LEP by £c.£268k	Identify existing energy capacity issues amongst existing businesses in the New Bridge Road area and proactively work with them to encourage/facilitate them to take-up the additional energy.

8. Alternative options

8.1. There are two alternative options for the LEP:

Option 1: Do nothing

8.2. The LEP can decide to do nothing. The advantage of this option is that there is no cost to the LEP. Progroup and Peel may seek an alternative solution to meet their energy supply needs and Progroup may still locate onto the site. Progroup are heavily invested in Ellesmere Port and in the Cabot Carbon site and Peel has recently secured planning permission for the Progroup scheme on the site. Without a new primary substation to supply the electricity required for the EZ development sites, SPEN would need to reinforce their local network by providing an additional substation. Whilst this would release the required electricity capacity, according to Arup the likely cost will be at least equivalent or greater than the figure quoted of £1,698,180 for the New Bridge Road Primary Substation. The cost of this will either be charged in its entirety to the developer/occupier making the request for electricity with a payback every time someone else takes a supply (up to 100% substation capacity or a maximum of 5 years whichever comes first) or be charged for their proportion of the substation capacity with SPEN paying for the remainder. Given that SPEN has informed the LEP that it has no plans to invest in the New Bridge Road area then it is likely that they would charge any developer/occupier the full costs of a primary substation up front, which would make any new development prohibitive. The risk, therefore, in doing nothing is that the deal between Peel and Progroup could fall through and Progroup may choose to relocate out of the sub-region, potentially resulting not only in a loss of £70m investment and 50 new jobs, but also the existing jobs at the current Progroup plant. Doing nothing would also leave the EZ sites without any power supply into them, which is likely to stymie future development. Development on these sites is only likely to happen if there is a significant uplift in market demand/industrial rents or with public sector intervention. Development could happen in the long-term, but the LEP would miss the opportunity afforded by EZ status and could lose out on up to £15.8m of business rate income over the next 24 years.

Option 2: Directly fund primary substation

8.3. The LEP could decide to directly fund a new primary substation for the area itself. The advantage of this option would be that the LEP would be in complete control of the project and could take more time to undertake more detailed feasibility. The main disadvantage of this option is that LEP would have to carry all of the costs of the substation, at c.£1.6m versus a net cost of c.£676k under the proposed project. In addition, the LEP/CWAC would need to utilise land on one of the EZ sites to house the substation, which would further reduce the business rate income to the LEP. Further, the timescales for the LEP to procure a new substation through an open public procurement process would be 6-9 months. As such, the timescale for the construction of the new substation would not meet Progroup's timescales for construction of their new plant. Again, this could lead to the deal between Peel and Progroup falling through and Progroup may choose to relocate out of the sub-region, potentially resulting not only in a loss of £70m investment and 50 new jobs, but also the existing jobs at the current Progroup plant.

9. Measuring success

8.1. The key measures of success for this project will be:

- Increased power capacity in New Bridge Road
- New commercial floorspace
- Number of new businesses locating into the EZ
- Number of new jobs created
- Business rate income retained by the LEP

10. Implementation/next steps

10.1. If this outline business case is approved the next steps would be to instruct legal advisers to construct a legal agreement with Peel Land & Property, starting with issuing draft Heads of Terms to Peel and negotiating on behalf of the LEP. Any final deal would need final approval from the Strategy Committee, scrutiny and ratification by the P&I and final sign off by the LEP Board.

11. Conclusions

11.1. The proposed project presents the LEP with an opportunity to not only facilitate the relocation of Progroup onto the Cabot Carbon site, ensuring that a major employer and investor in Ellesmere Port is secured for the long-term, but also enables the LEP to secure much needed additional power supply into the EZ sites at New Bridge Road for approximately one-third of the cost of purchasing a full new primary substation. This would unlock the EZ sites and accelerate their development, enabling the LEP to spread the cost of upgrading the power supply across all new developers/occupiers coming into the EZ and in return generating c.£15.8m in retained business rate income to the LEP over the next 24 years.

INVESTMENT TERM SHEET

Recipient:	Peel Land & Property
Project Name:	New Bridge Road Substation
Amount of Investment:	£676,675
Purpose:	For Cheshire & Warrington LEP enter into an agreement with Peel Land & Property and LEEP to reserve access to 3.4 MVA of electricity capacity from a new 10 MVA primary substation to utilise on the Enterprise Zone sites in the New Bridge Road area of Ellesmere Port
Funding:	Growing Places Fund and Local Authority Borrowing
Repayment:	From IDNO licence fees (£178,500) and Enterprise Zone Retained Business Rates (£570,785).
Length of time site must be maintained to Approved Use:	(a) The energy capacity is reserved for 7-years after which time if it has not been used or LEEP cannot demonstrate a pipeline of demand it will revert to the DNO (Scottish Power Energy networks). (b) Where the electricity capacity of the grid connection is curtailed by the DNO, the parties agree to use reasonable endeavours to ensure that the curtailed import capacity is shared in the relevant proportions of electricity import capacity under the Progroup connection agreement and any other grid connection agreement.
Key Obligations:	(a) LEEP (the IDNO) will pay Peel Land & Property the capital asset value calculated at £525,000 subject to certain conditions being satisfied in accordance with the Progroup proposal document (b) Peel Land & Property has agreed to make payment to the LEP of the relevant proportion (34%) of the capital asset value attributable LEP's financial contribution (c) Peel Land & Property has a variety of obligations to the LEP including: i. To assist putting in place connection agreements with eligible parties ii. Not to interfere with the electricity grid connection which could have an impact on making available electricity capacity as reserved by the LEP under the Contribution Agreement

	iii. Informing the LEP of communication from the IDNO or DNO iv. To maintain equipment and the substation. v. To allow both the IDNO and the LEP sufficient access to the electricity substations. (d) LEEP has an obligation to offer and conclude a grid connection agreement, substantially in the form as provided by the IDNO with any eligible party for electricity import capacity within the maximum amount of 3.4MVA as directed by Peel or the LEP.
Drawdown of the Claim:	One off payment to Peel Land & Property upon receipt of evidence from Peel that order for the substation has been made and Peel has made payment of the total connection costs under the grid connection offer.
Overage:	Not applicable
Termination	(a) The Contribution Agreement terminates when the bilateral connection agreement between the DNO and the IDNO terminates. (b) The LEP has the ability to terminate for material breach where such breach has not been rectified within 30 business days.
Events of Default/Clawback:	If, for any reason, the capacity reserved by the LEP cannot be made available by a fixed date set in the legal agreement the financial contribution made by the LEP to Peel shall be reimbursed by Peel to the LEP. (a) Any finding of State Aid breach.
State Aid:	The LEP is acting under the Market Economy Investor Principle and as such there is no State Aid.
Monitoring:	Peel Land & Property and LEEP will provide annual monitoring return to the LEP until the energy capacity has been fully utilised or spare energy capacity has reverted to the DNO.
Liability	Standard limitation of liability provisions apply.
Boilerplate:	The document contains the usual provisions and protections regarding Freedom of Information, Bribery Act and Confidentiality for this form of transaction.