

**REPORT OF**    **Head of Communities and Place**

**To:**            **Full Council**

**Subject:**      **Levelling Up fund submission for Torridge**

**Date:**         **4<sup>th</sup> July, 2022**

**Reference:**

**PURPOSE OF REPORT:**

- To obtain Member approval to submit the Appledore Clean Maritime Innovation Centre proposals to the Levelling Up Fund by 6<sup>th</sup> July, 2022
- To obtain Member approval to continue to develop Appledore Clean Maritime Innovation Centre designs to Full Planning at risk

**1. INTRODUCTION**

Following the update report to Full Council on 13<sup>th</sup> June additional work has been undertaken to develop proposals for the development of Middle Dock, Appledore in preparation for a Levelling Up Fund submission on 6<sup>th</sup> July to seek funding for the Appledore Clean Maritime Innovation Centre, bringing the University of Plymouth and University of Exeter's Centre for Future Clean Mobility research outposts to northern Devon alongside innovative private sector businesses.

**2. REPORT**

Reaction to Full Council 13.6.22

Significant positive press coverage was secured following the Full Council update on 13<sup>th</sup> June, including the Gazette front page. This also generated a number of wider cross-postings across a number of industry publications. Fulsome letters of support have been provided from a range of key stakeholders, including from Devon County Council, HoTSW LEP, South West Business Council, local schools, industry bodies and also the Appledore Maritime Heritage Trust, with genuine enthusiasm and alignment behind the scheme.

Support from Sir Geoffrey Cox MP has also been confirmed and a letter of support provided.

A number of businesses have also provided unsolicited letters to express interest and enthusiasm in taking up office, workshop and aquaculture space in the centre as early as possible.

A series of community engagement steps have also been undertaken, with a 99.9% positive response rate. Comments received focused on the importance of providing aspirational working opportunities and also the importance of providing high quality jobs given the growth in housing numbers.

## Benefits

The initial benefit to cost ratio (BCR) is 2.8:1, based on initial benefits of £52 million.

| <b>Item</b>                               | <b>Present Value of Benefits</b> |
|---|----------------------------------|
| Land value uplift                         | £ (12,539,803)                   |
| Productivity increase from education      | £ 2,521,4230                     |
| Employment- 93 FTE new jobs over 30 years | £ 62,129,630                     |
| <b>Total</b>                              | <b>£ 52,111,250</b>              |

The value of jobs in spin-out companies that remain in the local area could be considered. This would take the value of benefits to £72.5 million. Although this is an important figure, it is the 2.8:1 ratio which is used as a gateway criterion for the Levelling Up Fund, exceeding the required 2:1 ratio.

## Use of the Job Creation Fund as match funding

The £100,000 Job Creation Fund was previously approved by C&R for the development of a business support grant of up to £5,000 to enable businesses to recruit a first employee. However, this scheme was launched in March 2020, only days before the pandemic began and business priorities rapidly altered. As a result, the scheme was removed in order to reflect on what future requirements would be to support job creation.

Following the easing of pandemic constraints, the opposite scenario is now in play- no longer do conversations focus around the issues of needing to find employment, but rather both finding people to be employed and raising the quality of employment available. It is for this reason that it is proposed that this Job Creation Fund now be approved to use for match funding for the development of the Appledore Clean Maritime Innovation Centre which will meet revised criteria of both finding people to be employed and raising the quality of employment available. This will also ensure that this funding is utilised in the near future given expected capacity limitations whilst the scheme is progressed.

A figure of £94,270 was also previously assigned to support future employment opportunities connected to Appledore and the shipyard workers when Appledore Ship Builders closed down. It is requested that this fund also be approved for use as match funding for the Appledore Clean Maritime Innovation Centre, providing a total of £194,270 to reduce borrowing requirements. This funding will be utilised to continue development of the scheme to Full Planning in advance of a funding announcement, which is expected in autumn 2022.

## Proposed cost breakdown

The financial costs of the project are summarised in the table below.

| Item   | Cost                |
|--|---------------------|
| Construction Costs and Carbon Offsetting (including 10% contingency) | £ 16,444,200        |
| Bat Roosts   | £ 5,500             |
| Electric Connection  | £ 312,000           |
| Electric Network Reinforcement                                       | £ 43,000            |
| Land   | £ 280,000           |
| Monitoring   | £ 235,300           |
| <b>TOTAL</b>   | <b>£ 17,320,000</b> |

The income to the project is summarised in the table below.

| Item  | Income              |
|---|---------------------|
| CRF (remaining)   | £137,700            |
| TDC CRF Match   | £10,000             |
| Job Creation Fund   | £194,270            |
| LUF Priority Spend  | £56,000             |
| Land  | £280,000            |
| Further match funding from TDC through the form of Public Works Loan Board (PWLb) borrowing | £ 1,054,030         |
| LUF bid   | £15,588,000         |
| <b>TOTAL</b>  | <b>£ 17,320,000</b> |

## Operational modelling and sensitivity analysis

A detailed 25 year operational model has been developed by experienced independent experts. This models costs and predicted income based on comparable innovation centres and available data. This modelling indicates that the proposals will be viable if uptake is at the expected rate, in line with other innovation centres. At an 80% sensitivity check on those figures viability is less certain, with a potential loss over the 25 year period.

However, it is also important to emphasise that these costs are not fully finalised and are liable to future change. For example, Business Rates liabilities can be modelled but will ultimately be dependent on the final size and spatial distribution of the centre, whilst other significant costs, such as maintenance, will be linked to build costs.

## Risks

A full risk register has been developed and will be submitted as part of the funding application. Mitigations have been introduced for all of these risks. A live risk register will be maintained throughout the project and will be reported as part of governance processes. However, a series of key risks have been highlighted below.

- Material cost increases drive up project costs and limiting deliverability
- Design requirements for detailed design phase increase project costs
- Net Zero cost implications
- Community opposition to the Appledore Clean Maritime Innovation Centre
- Economic and social impacts are not maximised
- Elected Member support is not secured, not complying with match funding requirements and therefore preventing a submission to the Levelling Up Fund
- Under the 80% sensitivity analysis on the operating model there is a risk of losses being incurred by TDC over a 25 year period.

## Timetable

|                              |   |
|------------------------------|---|
| 6 <sup>th</sup> July, 2022   | Levelling Up Fund bid submitted                       |
| Summer / autumn 2022         | Further design works progressed                       |
|                              | Full Planning submission completed                    |
| October / November 2022      | Expected Levelling Up funding announcement            |
| 31 <sup>st</sup> March, 2025 | Deadline for Levelling Up Fund round 2 spend defrayal |
| Centre opening               | Autumn 2025   |

### **3. IMPLICATIONS**

#### Legal Implications

To be evaluated and managed through the process of bid preparation and project. Bid submission does not constitute a legally binding agreement to accept any grant offer, which will ultimately be dependent upon the grant terms and conditions.

#### Financial Implications

The centre has been modelled to ensure financial viability as well as being a catalyst for wider economic growth across the region. This has been undertaken by an experienced external professional who has designed the operational modelling for other innovation centres and has also been done following a 3<sup>rd</sup> party market appraisal for rental values. It has also been designed to ensure maximum future flexibility and the ability to adapt to future market requirements.

The funding ask will be £15,588,000. Torridge District Council will need to provide a 10% match funding contribution of £1,732,000. This contribution will include land value (£280,000) as a contribution and a land value appraisal has been submitted. It also includes use of existing reserves and funding awards, reducing the need for borrowing from the Public Works Loans Board to £1,054,030. These costs have been modelled in the operational model, with repayments paid for from income returns from the Appledore Clean Maritime Innovation Centre.

This will require:

- The capital programme to be increased by £17.3 million to cover the full costs of the scheme (of which £15.6 million will be external funding)
- TDC to underwrite the costs net of external grants of £1.055 million to fund the project.
- The Council's approved capital borrowing limit be increased by £1.055 million to £7.70 million

#### Human Resources Implications

Delivery of Middle Dock will require significant input from external specialist to support the Economic Development and Major Projects teams, whilst also liaising with the Estates, Legal and Finance teams. Ongoing recruitment considerations within the teams will take into consideration the necessary involvement in this project.

### Sustainability/Biodiversity Implications

At its heart the Appledore Clean Maritime Innovation Centre is a project designed to improve the state of the marine environment, with Net Zero, sustainability and biodiversity at the very core of its objectives.

Full ecology studies, including for winter birds and otters, will need to be commissioned as part of the Planning process. An initial ecology study has been undertaken, along with additional bat surveys to prepare for the initial cleansing of the site to remove asbestos and improve safety for staff on site. Bat mitigation steps have been included in the costings. Biodiversity net gain opportunities will be explored through the Planning process. A cost line has been included for future carbon offsetting.

### Equality/Diversity

The site is designed to build aspiration and opportunity for all residents in the region, supporting the goals of the Northern Devon Equality Plan developed in spring 2022 by NORDAB, the collective of secondary headteachers from across northern Devon.

### Risk Management

Without the support of Members, Officers and Full Council, there is the key risk that Middle Dock will not receive the substantial amount of financial grant funding from the Levelling Up Fund. Approval to underwrite the co-funding is a key aspect of the deliverability rating of the scheme and will enable the project to develop significant momentum.

The nature of the scheme proposed seeks to mitigate the financial exposure of the Council to substantial amounts of financial risk. External experts with relevant experience have been procured for project development in order to design out issues from other innovation centres and to maximise future benefits. Under the 80% sensitivity analysis on the operating model there is a risk of losses being incurred by TDC over a 25-year period. However, that is counterbalanced by the fact that Torridge District Council would now have a valuable asset and against the potential £72.5million benefits resulting from the scheme.

Torridge District Council will seek to supply a shell building fitted out to CAT B for future tenants. Specialist equipment will be provided through alternative clean maritime funding streams, such as the ongoing Clean Maritime Demonstration funding calls which both the University of Exeter and University of Plymouth have previously been successful with.

There is also a significant reputational risk to Torridge District Council of being seen to not support regeneration or boost its local economy in the post-Covid-19 world and in the face of significant deprivation challenges. This submission complies with a significant number of our local, and wider national, strategic commitments. It builds on previous detailed community and partner engagement prepared for the Future High Street and Levelling Up fund submissions.

Crucially not acting now will also limit potential local gains from Floating Offshore Wind proposals or facilitating wider maritime sector business growth, building on the region's maritime heritage to build a proud and flourishing maritime-based future.

No action will also lead to a significant risk of leaving the Middle Dock site in an ever-worsening state of dereliction with no potential use and significant financial and reputational implications to Torridge District Council.

A full Risk Register has been compiled for the submission.

### Compliance with Policies and Strategies

This project delivers upon a significant range of local and national strategies as well as high-level national studies:

- The North Devon and Torridge Local Plan, 2018 - 2031 stipulates:
  - “Appledore will develop further as a centre for maritime activities. The development of marine based industries and a quality tourism offer will contribute to re-balancing Northam's community and add economic value”
  - “Within northern Devon, high-value jobs in business, education and research, those supporting a low carbon economy and other key growth sectors will be encouraged in sustainable locations”.
- The **Torridge District Council Strategic Plan**, 2020-23 (Annex 18), which states as the first objective an ambition to “promote aspiration and growth to create a vibrant culture and thriving economy with quality jobs”
- The **Northern Devon- A Road to recovery** prospectus (May, 2021) contains 4 core strands which are all enhanced through the proposals- Innovation and Ideas, Skills and aspirations, Business environment and Connected Communities.
- **Northern Devon Social Equality Plan** (March 2022) which “includes the creation of strong pathways to higher technical, apprenticeship and degree level study that will match the ambition we will ignite in our young people”, with the establishment of university-level provision in the region at the heart of ambitions in order to “map pathways for young people to graduate-level professions” within the region, as well as accompanying “higher technical qualifications and degree apprenticeships as well as taught programmes of relevance to the national and local high skill labour market”, with pathways through from primary school to secondary, FE and into both employment and HE routes within the local economy, preventing generation-repeating loss of young talent from the area and diminishment of local intangible capital.
- The **Team Devon Covid-19 Economy and Recovery Prospectus** seeks support for businesses, for the people and workforce who drive our economy forward and for towns and rural communities- again, all delivered through Middle Dock's focus on R&D, productivity, skills and higher quality, sustainable employment.
- **The HotSWLEP Build Back Better Plan** also has a focus on skill development for “People and Ideas”, supporting training and development of a more vibrant “Business Environment”.
- The **Heart of the South West LEP's Strategic Economic Plan 2014-2030** by (a) “creating conditions for growth”, “(b) maximising productivity & employment” (through

a new 'strategic employment site' and support for 'reaching new markets') and "(c) capitalising on our distinctive assets". Within this it will also provide avenues to strengthen the **Heart of the South West LEP's Local Industrial Strategy**.

- Crucially these proposals seek to further the ambitions and local profile of the **Torrige District Climate Emergency declaration** (2019), with the drive to further the Net Zero ambition locally, regionally and internationally at the heart of the ambition.
- The **One Northern Devon, 10 Year Quality of Life Strategy – 2020-2030**, New Devon CCG, delivering the vision that "aspirations are achieved through equal access to the best education & employment".

#### Data Protection (GDPR) Implications

No personal data is being collated / collected.

#### Council Leader Views

Date of Consultation- 23.6.2022

The benefits to the local economy and the local community are both clear and significant. This is the single most significant opportunity which has ever been presented to us as a Council, and it is an opportunity which we must capitalise upon in order to truly address deprivation constraints and ensure that Torrige absolutely is a great place to live, work and visit for all.

#### Lead Member for Economy – Councillor Hicks comments:

This is a huge moment of opportunity for Torrige and we need to make the most of it. We need to provide opportunities to maximise the enormous potential for economic growth that the Floating Offshore Wind presents, whilst also building on our traditional maritime strength. Unless we are proactive with this project we will not create the enormous potential benefits or address the deeply-engrained deprivation issues which have held this area back for too long.

#### **4. CONCLUSIONS**

The Appledore Clean Maritime Innovation Centre creates the potential for significant economic and social gains to Appledore and the entire northern Devon region, with wider ramifications across Devon and the South West.

The benefits to Torrige as a district and northern Devon overall are clear. With a present value of benefits of £52 million over a 30 year period, although this includes a £12.5 million reduction as a result of an officially negative land value impact caused by the building costs. This would, however, leave Torrige District Council with a significantly improved site and an

asset with value. On a wider scale the value of jobs in spin-out companies that remain in the local area could be considered. This would take the value of benefits to £72.5 million.

Operational modelling also indicates positive returns for Torridge District Council over a 20-year period, albeit with acknowledged risks as part of the sensitivity analysis. However, investment in the centre serves a far greater purpose than simply investing in a building. This will serve as a catalyst for wider growth, supporting employment in Floating Offshore Wind-connected fields, clean propulsion, environmental intelligence and aquaculture whilst supporting those industries to also grow and move into additional facilities in the region. All of these higher-skilled and higher-paid roles will stimulate a greater spending power in the community and follow-on private investment, including in local town centres and employment infrastructure.

Crucially, it will provide new inspiration and a visible indication of the potential to truly succeed in Torridge and across northern Devon, boosting education and addressing long-term, engrained deprivation and truly embodying the levelling up agenda.

The Centre stands to not only attract the district's first ever university presence but also attract both well-established industry partners and innovative new businesses. The impact on local community pride and the resulting impact on aspiration, potentially on future educational attainment, and future economic growth, are all unparalleled for the area.

## **5. RECOMMENDATIONS**

That Members:

- In consideration of the risks associated with the project approve;
  - That the Appledore Clean Maritime Innovation Centre proposal be submitted to the Levelling Up Fund by July 6<sup>th</sup>, 2022
  - The capital programme to be increased by £17.3 million to cover the full costs of the scheme (of which £15.6 million will be external funding)
  - To assign the Job Creation Fund of £194,720 as match funding towards the Levelling Up Fund.
  - TDC to underwrite the costs net of external grants of £1.055 million to fund the project.
  - That the funding requirement will take the form of external borrowing.
  - The Council's approved capital borrowing limit be increased by £1.055 million to £7.70 million
  - That the Appledore Clean Maritime Innovation Centre designs be further developed at risk to Full Planning and submission of an application

