

Report sponsor: Paul Simpson, Chief Executive
Report author: Jon Sayer, Principal
Regeneration Manager

Supporting the delivery of SmartParc, an Innovative Food Production Park.

Purpose

- 1.1 This report outlines the Council's support to be given to SmartParc, for the redevelopment and delivery of an innovative food production park. This is a key priority for the City and will support the diversification of the local economy, introducing a new sector to Derby's industrial base.
- 1.2 In July 2020, MHCLG awarded £44m of funding to the D2N2 LEP for the delivery of immediate impact projects (Getting Building Fund). In August 2020, the Council submitted an expression of interest for a share of this fund, and succeeded in securing the largest single allocation in the region of £12m, to support the SmartParc project (subject to the submission of a full business case, which is currently on target for Summer 2021.)
- 1.3 The SmartParc project will generate up to £300m of private sector inward investment to the City (and the wider D2N2 region), creating thousands of jobs and delivering the early phases of a world-class, cutting edge food production campus, on a 112-acre reclaimed site near to Derby city centre.
- 1.4 To facilitate this private sector investment, the project requires total public sector investment of £17.5m, which is to be funded through a direct grant of £5.5m from the City Council's capital programme, alongside the £12m of Getting Building Fund allocation.
- 1.5 This report summarises the key elements of the project, the rationale for investment and the feasibility work undertaken to date. This report seeks approval to submit the full business case to the D2N2 LEP, to make subsequent grant funding awards to SmartParc to facilitate the delivery of the project and to enter into necessary land transactions in relation to the project.

Recommendations

- 2.1 To approve the terms of the support to Smartparc the details of which are set out in the confidential report submitted to this Cabinet.

Reasons

- 3.1 The development of SmartParc will create a significant level of economic growth for the City with the potential to accommodate up to 5,000 new jobs and generate a Gross Value Added of £250m to £300m over 10 years.

- 3.2 The public sector investment of £17.5m will leverage up to £300m in the construction of new modern food production facilities and leverage of private sector investment at a ratio of 17:1.
- 3.3 Enable the redevelopment of a 112 acre brownfield, contaminated and underutilised employment site that is fit for purpose, which in turn will facilitate significant economic benefit to the City.
- 3.4 A key part of the economic recovery is tied to instilling confidence for the business community to make investment within our City. The delivery of a scheme of this nature and scope which will improve our city's resilience, will act as a great confidence boost to those businesses and investors seeking to generate opportunities within the City.
- 3.5 The ongoing Covid 19 pandemic has demonstrated that whilst the City has a strength in the advanced manufacturing sector, our reliance upon this is a risk when external factors threaten this sector. The investment in SmartParc will support the diversification and resilience of Derby's economy.

Supporting information

- 4.1 SmartParc will bring a revolutionary food manufacturing campus to Derby. SmartParc's innovative approach will bring food producers together to cluster knowledge and investment, which has been so successfully accomplished in the aerospace, technology, and pharmaceutical sectors.
- 4.2 The proposed 1.8 million sq ft collaborative food community, will not only produce food but will create a highly sustainable and least cost production base, engineered to address the issues facing the future of food security. Its centralised energy generating facilities, using renewable sources, and other shared services will massively reduce costs and carbon outputs. It will embrace technology, through methods such as vertical farming, to create food stability in response to threats such as climate change and to reduce waste.
- 4.3 Once fully developed, SmartParc is expected to accommodate up to 5,000 jobs. The project will result in a significant diversification of the local economy, which is over-reliant on a few major employers, together with creating a significant number of new jobs (from engineers to food processors) underpinned by a new skills academy. The proposed SmartParc approach is extremely hi-tech and highly innovative, bringing a 30% reduction in food waste, a step change in the de-carbonisation of the food industry and an increase in UK food security. An innovation centre will be developed in the latter phases of development.
- 4.4 The SmartParc development will regenerate a major brownfield site in Derby - the former British Celanese site built in 1916-18 to support the war effort. In 1957, British Celanese was taken over by Courtaulds and the site is now owned by Texas-based Celanese. SmartParc have agreed to purchase the site from Celanese, subject to the securing of planning and an implementable development plan.

- 4.5 The revolutionary SmartParc project presents a compelling opportunity to achieve, at scale, the overarching aim of the UK Industrial Strategy to “*boost productivity by backing businesses to create good jobs and increase the earning power of people throughout the UK with investment in skills, industries and infrastructure*”. This funding application represents the key to unlocking the creation of up to 5,000 jobs over the next five years in a new sector for Derby City and a priority sector for D2N2, providing significant sector diversification and innovation advancements.
- 4.6 The SmartParc concept shows strong alignment to the D2N2 “Vision 2030” document which identifies Food & Drink Manufacturing as a key innovation investment priority for the region as follows:

(4) Support innovation led growth and productivity: Raise performance in our core, innovation-led sectors (Transport Equipment Manufacturing, Food & Drink and Life Sciences) to exceed international benchmarks. Increase the adoption of productivity raising innovative technologies and practises across the economy.

and

We will exploit D2N2’s competitive advantages in our three Science and Innovation Core Sectors of:

- *Transport Equipment Manufacturing*
- *Food & Drink Manufacturing*
- *Life Sciences.*

- 4.7 The project is one of four priority asks agreed by the Derby Economic Recovery Steering Group, as it has the potential to meet all three pillars of our Economic Recovery Plan by maintaining confidence, diversifying the economy, and decarbonising.
- 4.8 SmartParc are currently formulating their sustainability strategy for the Park. The proposal focuses upon green energy through the adoption of low carbon energy generation, working with occupiers to reduce food miles through collaboration and reducing waste. SmartParc are working to develop a roadmap to achieve net zero by 2030.
- 4.9 The redevelopment of the former Celanese site is aligned with the Local Planning Policy which seeks “*continued use of the site for employment uses (B1, B2 and B8)*”. The planning submission is being targeted for consideration in April 2021.

Project Benefits

- 4.10 SmartParc will bring significant benefits to the City including the creation of up to 5,000 jobs, within the food manufacturing sector, enabling the diversification of the economy and generating between £250m and £300m of Gross Value Added (a key measure of the economic contribution made by the sector) to the local economy over the next 10 years.
- 4.11 The scheme will deliver 1.8 million square feet of new high-quality food production space and regenerate of 112 acres of underutilised employment land whilst removing a significant area of contaminated land within the City.

- 4.12 The delivery of an innovative ecosystem focused upon food manufacturing and production and creating the optimum environment to enable start-up businesses to grow and develop. The Council will work with SmartParc over the vision and plans for innovation and business incubation accommodation and seek to bring a plan for the delivery of this to Cabinet.

Project Governance

- 4.13 The project management requirements of the Council's investment will be managed within the Council's Regeneration and Major Projects Service with a nominated Senior Responsible Officer (SRO) and a dedicated Project Manager. The SRO will ensure that Finance, Legal, Estates, Asset Management and Procurement teams are consulted and external legal advisors, property consultants and economic advisors are appointed. The cost of both external advisors and internal support until March 2022 has been built into the £17.5 million, with capital fees and project management costs to be recouped under the GBF funding. To ensure alignment with the Council's Project Gateway Process the full business case will be presented to the PMO Board. The Regeneration and Major Projects team will take the lead on the project management of this project.
- 4.14 A steering group comprising SmartParc, D2N2 LEP and the Council has been established to provide oversight of the vision of the project and ensure that collaborative working is embedded within the partnership.

Programme milestones

- 4.15 The following high-level project programme sets out the key milestones for the project following Cabinet approval: -

Milestone	Target Date
Planning approval	April 2021
Presentation of business case to PMO Gateway 3	May 2021
Submission of FBC to D2N2	May 2021
Enter into funding agreements	June 2021
Developer starts on site	July 2021
Land remediation complete	Dec 2022
Phase I construction commences	Dec 2021
Phase I handover	Dec 2022

Project Risks

- 4.16 A summary of the key project risks is outlined within the confidential version of this report.

Public/stakeholder engagement

- 5.1 There is ongoing stakeholder engagement through the planning application process.

Other options

- 6.1 Other options have been considered and are outlined in the confidential report.

Financial and value for money issues

- 7.1 The financial implications in respect of this proposal are set out in the confidential report.

Legal implications

- 8.1 The legal implications associated with specific elements of the project are outlined within the confidential report.

Climate implications

- 9.1 SmartParc are currently formulating their sustainability strategy for the Park. The proposal focuses upon green energy through the adoption of low carbon energy generation, working with occupiers to reduce food miles through collaboration and reducing waste. SmartParc are working to develop a roadmap to achieve net zero by 2030.

Other significant implications

Property and Asset Management

- 10.1 In disposing of the Council's interest in land, the Council will ensure its compliance with its obligations under the General Disposal Consent (England) 2003 through the Council's gateway approval process.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Emily Feenan	26.02.21
Finance		
Service Director(s)	David Fletcher	01.03.21
	Steve Caplan	02.03.21
Report sponsor		
Other(s)		

Background papers:	
List of appendices:	Appendix 1 – Masterplan Appendix 2 – Contractual arrangement summary

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