

HOUSING AND INFRASTRUCTURE EXECUTIVE BOARD

27th NOVEMBER 2018

YORKSHIRE WILDLIFE PARK EXPANSION – WILD LIFE GROUP LTD

Purpose of Report

In line with the Sheffield City Region Single Assurance Framework a project seeking MCA funding has been considered by the Sheffield City Region Appraisal Panel and recommended for Executive Board endorsement prior to presentation to the MCA.

Thematic Priority

This report relates to the following Strategic Economic Plan priorities:

- Secure investment in infrastructure where it will do most to support growth.

Freedom of Information

Reports to Executive Boards are not made available under the Mayoral Combined Authority Publication Scheme. This report is not exempt under Part II of the Freedom of Information Act 2000.

Recommendations

The HIEB is asked to consider and endorse the recommendation to progress the scheme business case to Full Approval for Yorkshire Wildlife Park Expansion at a cost of £5m (loan) subject to the conditions set out in the Appraisal Panel Summary. Noting that endorsement of this recommendation is subject to consideration and approval by the SCR MCA.

1. Introduction

- 1.1** In line with the Sheffield City Region Single Assurance Framework this project has been through a process of technical Appraisal, utilising external support, and consideration by a Panel of Officers representing the SCR Statutory Officers. The outcomes of this process is the recommendation presented for the endorsement of the Housing and Infrastructure Executive Board prior to seeking approval from the MCA.

2. Proposal and justification

2.1 Yorkshire Wildlife Park

2.2 The Yorkshire Wildlife Park has secured additional land adjacent to the current site for a new entrance, visitor hub with themed restaurants, destination hotel and investment in signature animal reserves to expand the existing Wildlife Park by 150 acres (60 hectares). This expansion will make Yorkshire Wildlife Park one of the top destinations in the UK.

2.3 The project is seeking a LGF loan of £5m loan towards a total project cost of £56.9m. The LGF funds will be used to develop infrastructure on the new site including access from Hurst Lane and new car parks, on site utilities, and also improvements to the surrounding road network, as required, to support the increased visitor levels as requested by DMBC as the highway authority.

2.4 Once the expansion is complete, it is projected that visitor numbers will increase from 760,000 to 1.2m into the Wildlife Park. The project will increase the GVA of the Park from £12m to circa £46.2m, create circa 315 extra jobs and provide a great local resource as well as adding to the sense of place of the Sheffield City Region.

2.5 Assurance Framework

2.6 The technical appraisal team has scrutinised the business case documents submitted by the scheme promoter to ensure completeness and test the responses to each of the 5 cases (Strategic, Economic, Financial, Management and Commercial).

2.7 The Appraisal Panel Summary is set out in Appendix 1. The Value for Money case is based on the acceleration of delivery of the project. The loan funding will accelerate the delivery of 315 jobs by one year.

2.8 Over ten years, total scheme GVA is circa £46.2m. The additional GVA generated by SCR LGF is estimated to be worth £0.67m. This excludes the value of wider benefits like engagement with local schools and providing job opportunities to local communities.

2.9 The Appraisal Panel recommends the award of LGF Loan to Wild Life Group Ltd subject to the conditions set out in Appendix 1.

3. Consideration of alternative approaches

3.1 Alternative approaches including do nothing and do less were considered as part of the options appraisal in the Economic Case of the Full Business Case (FBC), all of which were not viable alternatives or would significantly impact the value for money of the project.

3.2 Option 1 – Do minimum (no LGF option)

The project would go ahead but the phasing would need to be reviewed and would not meet the current deadline of opening in April 2020. This would mean delays to outputs and outcomes.

3.3 Option 2 – All funding via bank loan

Due to covenants the bank cannot lend all of the money- they can only lend 60% of the total amount required, and therefore, extra funding needs to be sought from elsewhere. This is the reason for the £5m gap.

3.4 Option 3 – Mezzanine finance from alternative source

This option would be an expensive option. The additional cost would mean that elements of the project may need to be excluded or delayed. It would therefore be more preferable to delay the scheme completion than pursuing this option.

4. Implications

4.1 Financial

Financial implications have been fully considered by a representative of the S73 officer and included in the Appraisal Summary agreed by the Appraisal Panel as presented in Appendix 1.

4.2 An appropriate market rate of interest for the loan will be based on European Union Reference rates.

4.3 Legal

Legal implications have been fully considered by a representative of the Monitoring officer and are included in the Appraisal Summary agreed by the Appraisal Panel as presented in Appendix 1.

4.4 Risk Management

Risk management is a key requirement for all submissions and is incorporated into the FBC submission. Where weaknesses have been identified in the FBC in terms of risk management, further work to capture and mitigate these risks is included as suggested conditions in the Appraisal Panel summary sheets.

4.5 Equality, Diversity and Social Inclusion

The Yorkshire Wildlife Park is keen to maximise the local opportunities of the expansion of the park and has established a Consultative Committee including local community representatives, local councillors, business and representatives from local schools and colleges. Furthermore, the project sponsor will develop an education and training plan with stakeholders.

5. Communications

5.1 The business case for this LGF scheme presents an opportunity for positive communications; officers from the SCR Executive Team will work with the relevant local authority officers on joint communications activity.

6. Appendices/Annexes

6.1 Appendix 1: Appraisal Panel Summary

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references:

Appraisal Panel Summary

Project Name	Yorkshire Wildlife Park Expansion Project		
Grant Recipient	Wild Life Group Ltd		
SCR Executive Board	Housing and Infrastructure	SCR Funding	£5m
% SCR Allocation	9%	Total Scheme Cost	£56.9m

Project Description

Additional land has been secured adjacent to the current site for a new entrance and visitor hub with themed restaurants, destination hotel and investment in signature animal reserves to expand the existing Wildlife Park by 150 acres.

It is projected that visitor numbers will increase from 760,000 currently (levels have been capped by the local authority to control impact on residential neighbours) to 1.2m. SCR funds will be used to develop infrastructure on the new site including access from Hurst Lane and new car parks, onsite utilities and potentially improvements requested by Doncaster Borough Council to improve the surrounding road network to support the increased visitor levels. The highway improvements include a roundabout at the new entrance and modifications to the T junction up from the new entrance (Hurst Lane/ Branton Road).

Strategic Case

There is significant capacity to grow Yorkshire Wildlife Park as an attraction given the demographics and potential target market within both the day visitor and the short break visitor drive time. There is also an opportunity to deliver a link with the Doncaster Sheffield airport and other local attractions as part of a wider destination offer.

This growth is not possible without the full scheme to expand the Wildlife Park and create a new access as the current park access has a limit of 750,000 visitors (per annum) which has already been reached. The jobs created will be at all levels and the majority will be permanent contracts due to the increased activities to make the Wildlife Park an all year-round attraction.

The improvements to the local road network will benefit residents and passengers en route to Doncaster Sheffield Airport, especially the changes to the Mosham Road Junction onto Hurst Lane. A further output will be an education and training focus on developing job ready school leavers by working closely with the relevant authorities. A training academy will also be established.

Value for Money

SCR funding support is for a 100% loan (£5m) to accelerate the delivery of this project. It is worth noting that the jobs would still be created even without LGF. However, the timing and pace of employment generation and other benefits would be sub optimal. SCR funding is required as existing covenants limit the extent of private sector borrowing to finance the project.

Over ten years, total scheme GVA is circa £46.2m. The additional GVA generated by SCR LGF is estimated to be worth £0.67m. This excludes the value of wider benefits like engagement with local schools and providing opportunities to locals.

Risk

The top 5 risks identified by the applicant are delayed start, inability to secure all funding, cost over runs, programme delay and change management.

The applicant has set aside £1,440,000 (equivalent of 2.5% of the total project cost) as contingency and also committed to funding any cost overruns during procurement and/or construction without unduly compromising scheme outputs.

Finally, there proposed repayment plan will ensure that SCR's financial exposure reduces with each payment.

Delivery

Project management will be undertaken in-house. The applicant states that the "project management arrangements are in place: project team recruited in house and procurement strategies and contracts well underway".

The Senior Construction Manager (named in FBC) will act as 'Senior Responsible Owner' of the project. He will oversee delivery of construction and can draw upon industry experience of delivering multi-million pound capital schemes and relevant academic qualifications. He will lead the project team which will report to the CEO and the Chairman.

Legal

SCR MCA will be the third in line in terms of seniority of lenders. As part of the assurance process, the due diligence report requested by the senior lender, has been shared with SCR and reviewed in confidence. The commercial lending rate offered by SCR reflects that applicants balance sheet and the risks associated with growth projections.

In terms of State Aid, the SCR are granting a loan at an interest rate that meets EU rules and satisfies the Market Investor Principle. Therefore, this does not breach the rules.

Recommendation and Conditions

Recommendation	Full award subject to conditions
Payment Basis	Loan to be paid on completion of Loan Agreement
Conditions of Award	
<p><i>The following conditions must be satisfied before drawdown of funding.</i></p> <ol style="list-style-type: none">1. All required statutory consents including all planning conditions must be satisfied.2. Submission of evidence of Board approval for the scheme.3. Formal confirmation of all other funding approvals required to deliver the project.4. Formal confirmation of commitment to address any cost overruns without unduly compromising project outputs and outcomes.5. Submission of a detailed project plan and risk register <p><i>The following conditions must be satisfied before contract execution.</i></p> <ol style="list-style-type: none">6. Submission of revised full business case which reflects all clarifications and comments ensuring consistency (example employment impact, contingency etc) throughout the document and appendices as this will be the basis of any funding agreement.	

7. Formal acknowledgement that the full value of the loan will be drawn down in 2018/19. LGF support will not be available for this project thereafter.
8. Formal confirmation that SCR will have sufficient charge on the site (or suitable assets) till loan is fully repaid.
9. Submission of acceptable repayment schedule specifying all/any dependencies.
10. Confirmation of commitment to deliver applicant's Academy focusing on science, leisure and tourism with details of how SCR residents and under-represented groups in the labour market will be targeted. The timing and delivery plans as well as a target number (or percentage) of local beneficiaries will be agreed.
11. Submission of a definitive set of outputs which SCR will can contract against and monitor.
12. Agree detailed schedule of inclusive growth indicators and targets (e.g. % of [previously unemployed] locals offered permanent contracts and apprenticeships, mentoring and school engagement and engagement with the local supply chain) to ensure the project delivers wider socio-economic benefits and that these can be captured, monitored and reported.

The conditions above should be fully satisfied by 17th January 2019. Failure to do so could lead to the withdrawal of approval.

Record of Recommendation, Endorsement and Approval

Project Name

Appraisal Panel Recommendation		Board Endorsement		CA Approval		
Date of Meeting		Date of Meeting		Date of Meeting		
Head of Paid Service or Delegate	Ruth Adams Deputy MD	Endorsing Officer (Board Chair)		Approving Officer (Chair)		
Signature		Signature		Signature		
Date		Date		Date		
S73 Officer or Delegate	Mike Thomas Senior Finance Manager	Statutory Finance Officer Approval				
Signature						Name:
Date						Signature:
Monitoring Officer or Delegate	Steve Davenport SCR CA Solicitor					Date:
Signature						
Date						