

North Lanarkshire Council Report

Enterprise and Growth Committee

approval noting

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Fusion Assets – Performance Financial Monitoring Report

From Pamela Humphries, Head of Planning and Regeneration

Email Greerd@nothlan.gov.uk

Telephone David Greer
Growth Programme Manager
tel. 01236 632856

Executive Summary

This report provides details of the operational performance of Fusion Assets Ltd. (Fusion Assets) during 2019/20 and outlines a range of economic outputs and outcomes being delivered through this ALEO.

The financial performance of Fusion Assets for 2019/20 and overall financial standing will be reported to committee in Cycle 4 2020 with 6 monthly updates given thereafter.

Recommendations

It is recommended that the committee:

- 1) Note the content of this report and the operational performance of Fusion Assets during 2019/20.

The Plan for North Lanarkshire

Priority Improve economic opportunities and outcomes

Ambition statement (3) Maximise the use of our marketable land and assets through improved development in business and industrial infrastructure

1. Background

- 1.1 Fusion Assets is a wholly owned subsidiary of the council which focuses on delivering physical economic regeneration projects across North Lanarkshire and in particular office and industrial development – a market where there is otherwise little private sector investment and limited speculative development. Unlike more traditional council owned property companies, Fusion Assets is more akin to an urban regeneration company whose role is focused on the redevelopment of vacant or derelict land and brownfield sites rather than commercial property management.
- 1.2 It should be noted that Fusion Assets does not receive an on-going or recurring management fee from the council for the delivery of services but rather uses grant funding from the council's annual Vacant & Derelict Land Fund (VDLF) allocation from the Scottish Government as enabling investment for the acquisition and redevelopment of vacant and derelict land sites. In taking this forward, Fusion Assets has developed a unique and innovative development model where the value of an acquired/remediated land site, together with other loan funding and Fusion's reserves, is used as equity to set up a joint venture partnership with the private sector that will fund and manage the commercial redevelopment of said site. Once complete and let/partially let, unless restricted by the terms and conditions of any grant funding, this asset is sold to a private sector investor with returns used to pay off loan funding and/or re-invested in future regeneration projects.
- 1.3 Fusion Assets performance was previously considered by the former ALEOs and External Bodies Monitoring Sub Committee on a six monthly basis. Following changes to the council's Scheme of Administration, responsibility for oversight of service delivery by arm's length bodies now rests with the relevant service committee. The functions delivered by Fusion Assets on behalf of the council fall within the Terms of Reference of the Enterprise & Growth Committee and Fusion Assets' Performance Reports will now be submitted to this committee every 6 months in line with the council's Strategic Performance Framework approved by members in November 2019.
- 1.4 This report outlines Fusion Assets' operational performance for 2019/20 as well as key achievements and highlights over the last 6 months of this financial year. Financial Solutions will provide committee with an update on the financial performance of Fusion Assets for 2019/20 as well as overall financial standing of the company in Cycle 4 2020 with 6 monthly updates given thereafter. This information will help give early warning of any financial risks which may give rise to operational or reputational risks for the council.
- 1.5 Engagement has also taken place with Fusion Assets to identify where the company's business objectives are aligned to support The Plan for North Lanarkshire. Future update reports to the Enterprise & Growth Committee will reference the contribution that Fusion Assets is making to The Plan along with developments linked to the recently approved 2020 Programme of Work. This will demonstrate where Fusion Assets is adding value and contributing to the shared ambitions of the council.
- 1.6 The above measures strengthen the role of service committees by enabling members to consider the totality of services and activities being provided by both the council and its ALEOs.

- 1.7 Lastly, in addition to performance monitoring by service committees, the Audit and Scrutiny Panel holds responsibility for ensuring the effectiveness of the administrative and financial governance of all of the council's ALEOs (including Fusion Assets) whilst the Policy and Strategy Committee retains responsibility for considering the outputs from reviews by the council into its arm's length delivery arrangements, including recommendations in relation to Best Value and potential future delivery options.
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2. Report

Performance Indicators

- 2.1 Fusion Assets' performance will be reported on a six monthly basis to committee with the current indicators developed to show this company's contribution to North Lanarkshire's wider economy. These indicators also demonstrate where the company is contributing to the council's strategic priorities particularly in relation to The Plan for North Lanarkshire and the council's Economic Regeneration Delivery Plan.
- 2.2 The performance indicators are listed in Appendix 1 along with outcomes achieved during the period 1 April 2019 – 31 March 2020. Additional commentary provides members with further information.

Key Achievements & Highlights (2019/20 – Q 3&4)

- 2.3 Fusion Assets' commercial developments continue to attract a wide range of new companies to North Lanarkshire as well as the expansion of existing enterprises. This includes, for example, Glenallachie Distillery who have recently taken a five year lease for additional space at Drumpellier Business Centre (which is now fully let) in order to help grow and expand their business.
- 2.4 Other key achievements and milestones across Fusion led projects between October 2019 and March 2020 include:
- the sale of the completed industrial development at Western Campus (Strathclyde Business Park) to Stenprop Ltd. (a UK property investment company) for £4.6M;
 - receipt of planning approval for the development of a further 15,000sqft and 20,000sqft industrial development at Link Park (Plot A1), Newhouse Industrial Estate, with enabling works to be funded through North Lanarkshire's 2019/20 VDLF Programme;
 - agreement of heads of terms for the lease of the final unit of the completed development at Link Park (Plot A1) and Building 1 at Gartcosh Industrial Park;
 - the approval of a license to occupy a potential expansion site for Biocity (Chapelhall) in order to undertake site investigation works to support its acquisition and remediation for future commercial use (with this to be supported through North Lanarkshire's 2019/20 VDLF Programme).
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3. Equality and Diversity

3.1 Fairer Scotland Duty

Promoting inclusive growth sits at the heart of the council's Ambition Programme. Fusion Assets will contribute towards this goal through the delivery of activity that supports the council to meet its Fairer Scotland Duty and address socio-economic disadvantage by:

- promoting and enabling investment that will create and improve access to new and better employment opportunity; and
- working as part of North Lanarkshire's ERDP Business & Industry Group to ensure effective linkage between economic opportunity, skills and work-force development.

3.2 Equality Impact Assessment

Fusion Assets aim to ensure that any potential adverse equalities impacts as a result of policy and/or plans developed are minimised or negated where possible.

4. Implications

4.1 Financial Impact

Fusion Assets does not receive an on-going or recurring management fee from the council for the delivery of services but rather uses grant funding from the council's Vacant & Derelict Land Fund (VDLF) allocation as enabling investment for the acquisition and redevelopment of vacant and derelict land sites.

The council awarded Fusion Assets £1.4M through their 2019/20 VDLF Programme whilst they have submitted a bid to the Scottish Government on Fusion Assets behalf for a further £800,000 from their 2020/21 VDLF allocation.

The financial performance of Fusion Assets for 2019/20 and overall financial standing will be reported to committee in Cycle 4 2020.

4.2 HR/Policy/Legislative Impact

This report has no HR, Policy or Legislative impact.

4.3 Environmental Impact

The environmental impact of any projects progressed as part of the ERDP has/will be assessed as part of the business case process.

4.4 Risk Impact

Fusion Assets' risk register review took place in spring 2019 and has been uploaded to the council's Fig Tree Risk Register. This review will be undertaken annually and updated accordingly.

5. Measures of success

Fusion Assets' measures of success will be reflected in the level of physical regeneration works which they deliver together with economic outcomes achieved from investment made. For 2020/21 this will include:

- 2.09ha of V&DL improved and remediation at key business locations to support future commercial development;
 - the acquisition of 3.18ha of V&DL to support the continued development of Gartcosh Industrial Park;
 - the completion of feasibility works to support potential future industrial development at Ravenscraig; and
 - the completion of the letting of Link Park, Plot A1 (Building 1) and Gartcosh Industrial Park (Building 1).
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6. Supporting documents

Appendix 1: Fusion Assets Ltd - 2019/20 Performance Measures, Targets and Outcomes



Pamela Humphries
Head of Planning and Regeneration

Fusion Assets Ltd - 2019/20 Performance Measures, Targets and Outcomes

Area of Activity	Performance Indicator	2019/20 Target Outcome	Achieved	Comments	Cumulative Total (Since 2011)
Improve economic opportunities and outcomes					
Support development of strategic investment sites, Enterprise Areas and industrial parks	Number of infrastructure works to support strategic industrial sites	1	1	Ground improvement and remediation works completed at Gartcosh Industrial Park (Phase 2) - not added to cumulative total as this site has previously been included 2020/21 Target – 2.09ha: for enabling and site remediation works at Link Park (Plot A1 – phase 2) and Biocity (Chapelhall)	8

Area of Activity	Performance Indicator	2019/20 Businesses Accommodated by Site as at 31 st March 2020				Comments	Cumulative Total (Since 2011)		
Support businesses in expansion and development	Number of new gross businesses re-located	T A R G E T	Dundyvan Enterprise Park	N/A	A C T U A L	Dundyvan Enterprise Park	N/A	Dundyvan Enterprise Park was sold in early 2018 and therefore businesses accommodated at this site have not been counted from 2018/19 onwards	13
			Western Campus	3		Western Campus	1	12	
			Drumpellier	2		Drumpellier	1	3	
			Link Park	1		Link Park	0	2	
			Gartcosh	1		Gartcosh	0	0	
									Western Campus – this figure represents the position when this site was sold in November 2019. As this site is now under private ownership, businesses accommodated will not be counted from 2020/21 onwards Drumpellier Business Centre – now fully let with one company leasing two of the four office spaces available Units at Link Park and Gartcosh Industrial Park are both under offer but leases are not yet concluded as of 31 st March 2020

Area of Activity	Performance Indicator	2019/20 Number of Jobs Created by Site as at 31 st March 2020				Comments	Cumulative Total (Since 2011)
		TARGETS		ACTUAL			
Enhance the number of direct, indirect and induced jobs	Number of new direct gross jobs created (FTE)	Dundyvan Enterprise Park	N/A	Dundyvan Enterprise Park	N/A	Dundyvan Enterprise Park was sold in early 2018 and therefore jobs created at this site have not been counted from 2018/19 onwards	119
		Western Campus	10	Western Campus	2		166
		Drumpellier	9	Drumpellier	2		35
		Link Park	9	Link Park	0	37	
		Gartcosh	24	Gartcosh	0	0	

Western Campus – this figure represents the position when this site was sold in November 2019. As this site is now under private ownership, jobs created will not be counted from 2020/21 onwards

Drumpellier Business Centre – now fully let with one company now leasing two of the four office spaces available (using one primarily for storage resulting in fewer jobs created)

Units at Link Park and Gartcosh Industrial Park are both under offer but leases are not yet concluded as of 31st March 2020

Area of Activity	Performance Indicator	2019/20 Target Outcome	Actual Outcomes as at 31 March 2020	Comments	Cumulative Total (Since 2011)
Improve the health and wellbeing of our communities					
Improve brownfield and vacant & derelict land	Total of vacant and derelict land improved (ha)	1.47	1.47	Ground improvement and remediation works completed at Gartcosh Industrial Park (Phase 2) 2020/21 Target – 2.09ha: for enabling and site remediation works at Link Park (Plot A1 – phase 2) and Biocity (Chapelhall)	13.40
Vacant & derelict land sites removed from register	Total of vacant and derelict land taken off register (ha)	0.68	0.68	0.95ha of V&DL removed from Register at Gartcosh Business Interchange (Phase 1) Previous land removed to date includes from Dundyvan Enterprise Park, Western Campus, Link Park (part) and Drumpellier Business Park (part) Target for 2020/21 is 0 as remaining construction works for Gartcosh Phase 1 will not be completed until 2021/22	3.76

Area of Activity	External Funding Leverage by Fusion Assets (Completed Projects)					Comments	Cumulative Total (Since 2011)
Improve North Lanarkshire's Resource Base							
Leverage on Council Investment	Project	Dundyvan	Western Campus	Gartcosh Phase 1	Drumpellier	Link Park – excluded until full development completed/financed Gartcosh Phase 1: Excludes VDLE investment made in Phase 1B as this not currently financed. NLC secured an additional £108,000 capital receipt from NLC's purchase of site for Gartcosh Phase 2.	Total
	Total Project Spend	£2,985,993	£4,209,915	£5,541,621	£1,646,596		£14,384,125
	VDLE	£162,917	£748,564	£976,000	£300,000		£2,187,481
	NLC	N/A	£99,351	N/A	N/A		£99,351
	RCGF	N/A	N/A	N/A	£1,116,591		£1,116,591
	Private Sector	£387,750	£631,000	£857,000	£115,000		£1,990,750
	Fusion	£530,326	£631,000	£524,000	£115,000		£1,800,326

	Loan Finance	£1,905,000	£2,100,000	£3,184,621	N/A		£7,189,621
	Ratio of Leverage achieved from NLC investment (including VDLF Funding)	18:1	5:1	6:1	5:1		6:1

Forecast GVA & Employment Impact of Projects Completed to Date

Development Name	Construction Spend ^{*1}	Construction Jobs (PYE)	Construction Impact – GVA (£) ^{*2}	Employment By 2030 ^{*3}	GVA Impact By 2030 ^{*3}	
					Local Economy	Value
Dundyvan Enterprise Park	£2,823,000	18.8	£983,860	312 jobs	+ 0.5%	£37M
Western Campus	£3,362,000	22.4	£1,172,259	357 jobs	+ 0.7%	£50M
Gartcosh Industrial Park (Building 1)	£1,310,000	8.7	£455,297	175 jobs	+ 0.1%	£7M
Enterprise House, Drumpellier Business Park	£1,046,000	7.0	£366,331	65 jobs	+ 0.02%	£2M
Link Park, Newhouse (Building 1)	£1,100,000	7.3	£382,030	156 jobs	+ 0.1%	£8M
TOTAL	£9,641,000	64.2	£3,359,777	+ 1065 jobs	+ 1.42%	£104M

^{*1} Excludes site acquisition and remediation costs

^{*2} Person Year Equivalent (PYE) construction impacts are reported as gross impacts and as such do not take account of displacement or leakage to the local economy. *Source: Scottish Annual Business Statistics 2019*

^{*3} Employment and GVA impacts take in to account direct impacts (changes in employment and GVA as a direct result of these commercial developments), indirect impacts (impacts on supply chains) and induced impacts (household spending as a result of wages earned both via direct and indirect impacts). The uplifts in GVA and employment figures are based on a number of assumptions around the occupancy rates and types of businesses occupying these premises as well as macro-economic factors such as Brexit. The model on which 10 year Employment and GVA forecasts were produced was developed before the Covid-19 global pandemic and therefore may prove optimistic. *Source: NLC Oxford Economics Model 2019*