

Northern Ireland City/ Growth Deals: Complementary Fund Bid

Only information contained within the first four pages of this template will be considered; please do not add supplementary information. Please use Arial font, size 11.

PROJECT TITLE	Industrial Lands at Desertcreat, Cookstown
LEAD ORGANISATION	Mid Ulster District Council
CITY/ GROWTH DEAL	Mid-South West (MSW) Growth Deal
LEAD NICS DEPARTMENT	Department for Economy/Invest NI
LEAD DEPARTMENT AGREEMENT IN PRINCIPLE SECURED?	YES: in April 2021 MSW consulted with the relevant NI & UKG Depts to seek their feedback and support. Feedback received from DfE, DfC and MHCLG has been fully considered and factored into this bid.
DELIVERY PARTNERS	Other MSW Partners: Armagh City, Banbridge & Craigavon Borough Council and Fermanagh and Omagh District Council
TOTAL COST	£5m

Bid over next 4 years (£000s):

2022-23	2023-24	2024-25	2025-26
£4m (Land purchase & Assessments, A29 access route/fees)	£1m (Infrastructure/fees)		

Future Annual Funding Profiles N/a

Indicative Timeframes

SOC Submitted (only if over £50m)	OBC Submitted	Delivery Commencement	End Date
N/a	June 2022	January 2023	December 2024

Complementary to City/ Growth Deal

Desertcreat Industrial Lands project is centred on addressing chronic and long-standing supply constraints in terms of available industrial land for development in MSW, and more specifically within the Mid-Ulster District Council (MUDC) area. The project is integral to the success of the Mid-South West (MSW) Growth Deal as the core component of the Regional Economic Strategy (RES) for our region, comprising the three Council areas of Armagh, Banbridge and Craigavon, Mid Ulster and Fermanagh and Omagh. The RES, which was launched by the First Minister and deputy First Minister in September 2020 (<https://midsouthwestregion.org/res/>), sets out our ambitions to supercharge the growth of our collective economy and ensure we continue to perform to our full economic potential delivering inclusive prosperity for all.

In the context of the Growth deal, MUDC is recognised as one of the most entrepreneurial and enterprising regions in NI, with a dynamic private sector driven economy boasting the largest business base outside Belfast with over 9,000 VAT registered businesses. It has a higher productivity per head of population compared to the NI average and a GVA of £3.24bn (producing 7.7% of NI's economic output).

However, the acute shortage of industrial land and Invest NI serviced sites is a huge barrier to investment and has forced high growth businesses to relocate employment opportunities outside of Mid Ulster (and NI) meaning a subsequent loss of exports and GVA. Mid Ulster is a hotbed for manufacturing, producing more than 40% of the world's mobile crushing and screening equipment. This project, involving the acquisition of 180 acres of land at the identified Desertcreat site (described more fully under Q4) provides a once-in-a-lifetime opportunity to safeguard and grow the business base in Mid Ulster by meeting latent and immediate demand for the provision of high quality serviced sites to enable indigenous businesses to expand and grow to their full potential. Therefore, the successful delivery of this Desertcreat land development project is critical to the ambitions set out in our Growth Deal/RES and key economic objectives reflecting the distinctiveness of MSW as a highly entrepreneurial, private sector-led economy with an outward and forward-looking ethos.

The region excels in four out of the six sectors – *Advanced Manufacturing, Materials and Engineering; Life and Health Sciences; Agri-Food; and Construction and Materials Handling* - identified as priority sectors in the draft Industrial Strategy/ Economy 2030, central to the NI Executive’s plans for economy recovery post COVID-19, particularly the emphasis on creating higher paid employment. There is evident capacity and capability to compete successfully (and lead in) in global markets in these sectors delivering growth potential and GVA for NI, and also in a wider UK and island of Ireland context. However, development land is needed to realise the potential.

The project has close complementarity with the MSW Growth Deal/RES structured around four interconnected intervention themes; 1) *Future-proofing the skills base*, 2) *Enabling Infrastructure*, 3) *Boosting Innovation and digital capacity*, and 4) *Building a high performing visitor/tourist economy*.

In essence the Desertcreat Industrial Lands project will:-

Facilitate Economic Transformation – The ‘*Enabling Infrastructure*’ theme is in practice not a ‘parallel’ theme, rather an underpinning need and critical enabler for our Growth Deal/ RES as a whole. This transformative project will deliver a critical element of economic infrastructure in our region centred on the critical and urgent acquisition of land for industrial activity with a ‘package’ of services/utilities/road access.

Enable New Investment & Indigenous Growth - Our ambitions are aimed at helping indigenous businesses to grow and attracting new companies to deliver investment and job creation in the MSW region. Within this our Growth Deal/ RES has a particular focus on freeing-up unused industrial land held in public ownership. In essence, a policy change that recognises the role that Local Government can play in productive development of these assets.

Deliver Targeted Growth Deal/RES Benefits - This project is a key and early example of the above in the roll-out of our plans. It will address an economic crisis and contribute to all targeted benefits within our Growth Deal/ RES which are:-

- Increasing productivity levels/ closing productivity ‘gaps’ (*it should be noted that closing sectoral productivity gaps in MSW has the potential to be equivalent to a 4.3% uplift of the NI economy i.e. an additional £1.7bn of GVA. Significant additional GVA also arises from the supply chain and consumer spending impacts associated with this direct GVA benefit*)
- Driving business growth;
- Protecting MSW’s unique sectoral advantages (as a minimum) and thereafter fully realising sectoral opportunities;
- Leveraging substantial private sector investment;
- Creating more, better paid jobs; and
- Ongoing internationalisation of MSW (and better internal NI profiling).

Complementary Fund Criteria

Please provide information on which specific criteria (see Annex A) are met, succinctly explain how each criteria is met and whether the impact is high, medium or low.

Demonstrable local benefit	The project is wholly aligned/ core to the ambitions in the MSW RES and will deliver on <u>all</u> targeted benefits of the same as detailed under Q1.	High
Alignment with zero carbon commitments	The full extent of the opportunity(ies) to tackle climate change and contribute positively to net zero carbon will be further defined through the business planning process – that will include a focus on seeking to achieve BREEAM/CEEQUAL (excellent) certification standards for all developments.	High
Sustainable and affordable	It is intended that recurrent funding costs will be met through a combination of Council resources and business contributions via a management fee.	High
Demonstrates additionality	This project will bring a significant asset that is already in public ownership, but not in productive use, to be a key element of the economic infrastructure to drive our MSW Growth Deal/RES ambitions. It demonstrates additionality, against long-standing and severe market failures in the supply of industrial land in MUDC.	High
Considers regional balance and takes account of economic disadvantage of the region	Alignment with policy imperatives of ‘levelling-up’ disparities between UK regions and achieving ‘regional balance’ within NI are key tenets of our MSW Growth Deal/RES. This focus is critical for us to redress the serious infrastructural and connectivity deficits that exist in MSW (detailed in our RES) and to unlock the productivity gains and economic growth that our region will deliver as a result. This project will help address these deficits and contribute to the above policy imperatives.	High

Leverages in private sector investment	This project has a ready pipeline of demand from existing indigenous private sector businesses (in Mid-Ulster and MSW), with short-term expansion plans that are currently constrained. Enabled by the 'ready package' of access to land and associated services, these businesses will then invest their resources in building fit for purpose industrial units/ factories. Given MSW's status as the 'economic engine' and manufacturing heartland of NI, the capacity for growth and private sector investment / leverage is significant. A snapshot of this is evidenced by the example of the £63m investment plans of companies at the Granville Industrial Estate, Dungannon (detailed under Q4) that would be unlocked by access to suitable industrial land. It may also leverage investment from FDI companies.	High
Complements City/Growth Deals	We are working positively and collaboratively with the other NI City/Growth deals, where synergies exist and to prevent duplication of activity at an NI-wide level. An example is the respective industrial innovation projects/ supports, which will be enabled for businesses locating at Desertcreat. These will favourably align with Government's vision in the 10X Economy Strategy and also provide synergies with two other MSW Growth Deal projects, located nearby i.e. Engineering Innovation Centre at SWC and the Agri-Food Robotics Centre at Loughry Campus.	High
Aligned to wider regional strategies	As noted under Q1, the project will strongly impact on sectoral priorities in the draft Industrial Strategy/ Economy 2030, the NI Executive's plans for economy recovery post-COVID-19, DfE's Economic Recovery Action Plan (ERAP) and 10X Economy. The importance of contribution to economic recovery is underlined by the fact that MUDC was in the top ten of the UK's local authority regions most impacted by Covid19 in terms of GVA decline.	High

Links to PfG Outcomes/ Departmental Priorities

Please provide information on which specific outcomes and priorities would be impacted and whether the impact is high, medium or low.

The project will impact on the follow PfG outcomes (as per the Draft Outcomes Framework):-

1. **'Our economy is globally competitive, regionally balanced and carbon-neutral'**
2. **'People want to live, work and visit here'; and**
3. **'Everyone can reach their potential'**

The impact would be 'high' in all of these areas – (1) based on the capacity for economic growth and productivity gains, that will arise from the expansion of an industrial base, that is already successfully exporting globally in key sectors; (2) the inclusive labour market / skill development programmes that will be put in place via the MSW Growth Deal to extend higher value job creation opportunities to all; and (3) based on the 'levelling-up' potential that exists to address disparities in economic infrastructure, between MSW and elsewhere. All of which will contribute to making MUDC/MSW a more attractive place in which to live and work in. This is crucial given that projected demographics for MSW are challenging in terms of access to a growing workforce (detailed in our RES).

The contribution to **Economy 2030/** draft Industrial Strategy and **economic recovery plans** is already referenced under Q1 & Q2. The project is also strongly aligned with vision for 2030 in the **NI Economic Strategy** of *'An economy characterised by a sustainable and growing private sector, where a greater number of firms compete in global markets and there is growing employment and prosperity for all'*. It will also contribute to the **10X Economy**, which sets out a vision for a decade of innovation, where the sectors that MSW excels in are identified as the foundation of building a 10X Economy, including Agri-Tech & Advanced Manufacturing and Engineering. The project is also consistent with the **Regional Development Strategy 2035** which, within RG1, seeks to *'ensure adequate supply of land to facilitate sustainable growth'* and **Invest NI's Business Strategy 2017-2021** in terms of *'Building on strengths'* working with advanced manufacturing; materials and engineering; agri-food; construction and materials handling; and life and health sciences' and *'increase our focus'* on *'companies that already have strong trading relationships throughout Europe'*. The impact in all of these strategies will be 'high' as MSW is a highly entrepreneurial, private sector led economy, with evident growth capacity in priority sectors that will be secured through removing the barriers that have resulted in the dearth of access to suitable industrial land. This Desertcreat land development project will make this economic transformation possible. Action is required now!

Narrative

Please provide information on the bid

Project Overview - the bid is to acquire 180 acres of land at the Desertcreat site for industrial development, responding to the acute shortage of industrial land in MUDC/ MSW. The investment will help to achieve our 'Vision' for the Desertcreat land development project, by acquiring this large unique prime site located on the A29 main North /South arterial route and undertaking works to provide access to the site alongside enabling infrastructure works to provide high quality ultra-modern serviced sites for growing indigenous businesses severely impacted with no industrial lands to expand and grow their operations.

Planning and Environment - In terms of the planning approach, Desertcreat is designated as a Rural Industrial Policy Area (RIPA). It is envisaged that at Desertcreat RIPA suitable uses will include use class B1 (c), B2, B3 and C3 (excluding schools) of the Planning (Use Classes) Order (Northern Ireland) 2015 meeting a range of key site requirements designed to protect the environment & heritage of the site. MUDC will respect the heritage/community value of the site, through working with HED and other key stakeholders throughout the planning & design phases. Also, to protect and promote cultural value of the Tullaghoge Fort, which is part of our O'Neill Growth Deal proposition to create a heritage proposition that will elevate the historic townscape of Dungannon and two of the most strategically important sites in Ireland; Hill of The O'Neill and Tullaghoge Fort, into a world class tourism attraction/destination.

Business Support and Evidence - To develop our MSW Growth Deal/ RES we put in place an extensive industry/ business led engagement process. Many of NI's world leading companies (that are on our industry reference group) were founded in MSW and our region continues to be the headquarters of their globalised operations. They identified a critical and urgent need for access to industrial land, right across MSW & articulated the constraints that existed in this regard to their short-term growth / expansion plans. Within MSW, Cookstown/ Desertcreat is an industrial, commercial and administrative location and is the centre of one of NI's most important clusters for manufacturing and agri-food business. 75% of businesses in this area ship goods or sell services outside NI several times per week. Therefore, the development of readily accessible industrial space at Desertcreat will service demand right across MSW, as well as attracting demand external to the region and NI (via FDI). The urgency of need for industrial land in MUDC and associated constraints on economic growth was highlighted in a BBC news article on 11th August 2021 (<https://www.bbc.co.uk/news/uk-northern-ireland-58175158>).

This up-to-date evidence above reinforces a wealth of previous evidence that strongly supports the need for this project. The 2018 Evaluation of Invest NI's Property Interventions, noted that industrial land was in short supply, increasingly dated and unattractive to potential occupiers – with indigenous firms 'making do' in sub-optimal space, potentially harming their productivity, or faced with moving out of the region altogether to obtain suitable accommodation, with consequent loss of jobs and the associated skill base. Indeed, within MUDC presently there is only 1 acre of industrial land left held by Invest NI, which includes land remnants that are not developable. This is the lowest the lowest industrial land holding of any Council area, despite the fact that MUDC has generated the most site sales of any Council area between 2009-2019.

Market Malfunction - In addition to the short supply of Invest NI owned industrial land, many private land owners are reluctant to develop land for industrial use as other uses are more lucrative. However, even if this land was to be developed for industry, there is evidence of an impending shortage of any suitable land. This suggests market failure on a much larger scale. For example, land zoned for industrial development in Cookstown, Dungannon & Magherafelt has declined by 22.8% in 2018. At that rate, without additional industrial land, the total available land zoned for industrial development in the area will be exhausted by c.2030, if not sooner. The chronic shortage of industrial land in Dungannon in particular has pushed industrial land prices up to £125,000 per acre (in some cases 240% higher than some other areas of NI).

Development Crisis - The majority of existing industrial sites are at capacity & some, like Granville Industrial Estate, in poor condition. A 2018 survey of companies located there showed that all 12 companies had limited or no available capacity to expand, 11 had plans to expand within the next 3-5yrs & estimated an additional 421 jobs created as a result and collectively they reported that they were prepared to invest £63m if suitable land is available. A similar position exists in respect of smaller units/ SMEs. Dungannon LEA is fully let despite an ongoing expansion programme in recent years. It has a waiting list of prospective tenants looking for 45,000 sq ft, equivalent to a further 45% of all its current accommodation on 3 sites.

In summary, this project will address an urgent need and must be afforded high priority as this compelling case articulates. It will significantly contribute added value not just economically, but also environmentally and socially beyond the MUDC and MSW areas.