



LEP INVESTMENT BOARD

24th May 2019

Lincolnshire Chamber of Commerce,
Commerce House, Carlton Boulevard,
Lincoln, LN2 4WJ

Paper 0 - Agenda

Time	Item and brief description	Lead	Access/Circulation
13:30	Welcome, Apologies, Declarations of Interest <ul style="list-style-type: none"> Approval of Minutes 29th March 2019 	Chair	Paper 1 attached
13:40	<u>For Information</u> -Growth Deal Update Report	Ruth Carver, LEP	Paper 2
13:55	<u>For Decision</u> University of Lincoln, Lincoln Medical School <ul style="list-style-type: none"> Due diligence appraisal 	Halina Davies, LEP	Papers 3 and 3.1
14:15	<u>For Decision</u> Lincoln College, Skills Capital Investment Fund <ul style="list-style-type: none"> Digital and Professional Skills Centre due diligence appraisal 	Halina Davies, LEP	Papers 4 and 4.1 attached
14.35	<u>For Decision</u> Proposals for Growth Deal allocations	Halina Davies, LEP	Paper 5 attached
14:55	<u>For Decision</u> WLDC, Gainsborough Growth Project <ul style="list-style-type: none"> Phase 1a variation to contract and Phase 2 due diligence appraisal Phase1b due diligence appraisal 	Halina Davies, LEP	Papers 6, 6.1 and 6.2 attached
15:15	AOB and close of meeting		All Members

Attendees: Ursula Lidbetter (Chair), Cllr Rob Waltham (NLC),
Cllr Colin Davie (LCC), Chris Baron (Butlins), Pat Doody (Nat West),
Observers: Pete Holmes (BEIS), Andrew Crookham (S151 Officer)
Officers: Ruth Carver (GLLEP), Halina Davies (GLLEP), Cathy Jones (GLLEP),
Linsay Hill Pritchard (Accountable Body), Sue Groves & Zoe Bursey (Note Taker)

Conflict of Interest Table

Board Member	Project	Conflict
Ursula Lidbetter	Gainsborough Growth Project	Lincolnshire Co-op landowner for Phase 1a variation proposal

LEP INVESTMENT BOARD

29th March 2019

The Olde Barn Hotel, Toll Bar Road,
Marston, Grantham, Lincs

Draft Minutes

Draft Minutes

Present:

Board Directors: Ursula Lidbetter (Chair) (Lincs Co-op), Cllr Peter Wheatley (NELC), Pat Doody (Nat West), Chris Baron (Butlins)

LEP Officers: Ruth Carver, Halina Davies, Sue Groves (Note Taker)

Observer: Pete Holmes (BEIS), Pete Moore (S151 Officer & Accountable Body)

Apologies: Cllr Rob Waltham (NLC), Cllr Colin Davie (LCC)

For Agenda Items: Russell Copley, Michelle Davis (Greenborough Management Ltd)

Welcome by the Chair

Apologies and Declarations of Interest

Formal apologies were received from the following:
Cllr Rob Waltham and Cllr Colin Davie

Declarations of Interest:

Cllr Colin Davie	Skegness Gateway Project	LCC are project applicants
Cllr Peter Wheatley	Access to Employment Zones, Phase 2a	NELC are project applicants
Cllr Rob Waltham	Lincolnshire Lakes/Northern Junction Projects	NLC are project applicants
Pat Doody	Sleaford Building Services	Applicants have secured a Natwest bank loan

Full declarations of interest can be found at

<https://www.greaterlincolnshirelep.co.uk/documents/declarations-of-interest-register-nov-2016/>

The board were reminded that declarations of interest are required as part of LEP governance and must be submitted at least annually, and if anything changes to notify the LEP office at the earliest convenience.

Minutes and Matters Arising (Paper 1)

The minutes of the 20th February 2019 were accepted as a true record.

Action

Publish

Pat Doody left the room

Sleaford Building Services Ltd (Paper 2)

Board Directors were asked to consider the due diligence appraisal for the Sleaford Building Services Ltd (SBS) project under the auspices of the Greater Lincolnshire Growth Fund (GLGF) and to approve progression to contracting stage.

SBS are based in Heckington and are a Mechanical and Electrical Contractor founded in 2003 by the current Managing Director, with a turnover in excess of £8.1m.

In order to create greater efficiency and enable growth SBS wish to buy an established

manufacturing facility in nearby Sleaford and have identified a possible site which has a workshop of 450m². The new building, with the intended renovations, will have the office space SBS require, housing up to 60 people in designated and specifically designed offices, along with an additional fabrication bay and overall size to consolidate production within one building.

Comments

- ❖ Project has been through the Growth Deal Scale-Up programme
- ❖ Leadership training undertaken
- ❖ Funds would only be released on evidence of funds being spent
- ❖ This could be a good case study for GLLEP

Decision

The GLGF grant of £358,525 was approved subject to contracting and compliance with conditions identified through the due diligence process.

Pat Doody returned to the room

Growth Deal Programme Update (Paper 3)

HD provided an overview of the paper and Investment Board Directors were asked to note the Growth Deal Programme progress report.

The Growth Deal Programme is currently 82% contracted, with 55% of contracted spend expended to date. Provisional allocations totalling £21.9m remain uncontracted with GLLEP at this point in time (17.7% of the total allocation).

Regarding the Advanced Engineering Centre (The Bridge), a meeting has been arranged with the University and ESIF to discuss alignment of appraisal processes, but this project may not be deliverable by March 2021 due to ESIF funding. If it is to go ahead, this needs to be contracted by autumn 2019. The Board discussed what might happen if EU funds are not available for the scheme and the potential of finding additional funds from another sources if necessary.

The LEP will continue to closely monitor all Amber and Red RAG rated schemes going forward as per risk mitigation processes agreed with the Board.

The target for Growth Deal this financial year will be achieved with freedoms and flexibilities applied for 2018/19 being attributed to the Agri-food Centre of Excellence Scheme, Grantham Technology and Innovation Scheme and Scunthorpe Town Centre Scheme.

GLLEP Officers reminded the Board of agreed follow-up actions where projects are consistently not delivering.

Skegness Gateway Project (Paper 5)

The Board was updated on progress against agreed project milestones on the 20th February. Applicants for the scheme had asked the Board for a one month extension to the Phase 1 milestones based on their explanations with regard to additional external legal advice being required regarding state aid. Having reviewed all the information provided, the Board remained concerned about the level of programme risk attached to delivery of this project.

Decision

Phase 1 - The Board was aware that the site could accommodate an interest investor by Spring 2020 and that it is the only allocated employment site for Skegness in the East Lindsey Local Plan.

The Board approved continued £1,279,000 growth deal support for the Phase 1 element of the

project provided that the land valuation negotiation with Croftmarsh was completed and evidenced in writing by 30 April 2019, HOTS were agreed, signed and evidenced by 20 May 2019, and subsequently land acquisition was fully secured including signed legal documentation by 28 June 2019. Should any of these milestones not be achieved the full £1.279m provisional allocation will be returned to the wider Growth Deal Programme, and Phase 1 of the Skegness Gateway Project would be returned to the GL LEP Pipeline.

Phase 2 - With the added delays to Phase 1 and remaining hurdles it still needs to achieve, the Board agreed that works on Phase 2 were undeliverable by 31 March 2021, hence the £2,721,000 allocated to Phase 2 should be returned to the wider growth deal programme as of immediate effect, and Phase 2 of the scheme will be placed on the project pipeline. Projects on the pipeline will be asked to submit full business cases should further LEP funding opportunities become available.

Lincolnshire Lakes/Northern Junction Roundabout Update (Paper 6)

An update on progress with the Lincolnshire Lakes 1 and Northern Junction Roundabout schemes was presented to the Board. Despite some preparatory works having taken place, the main construction contract for the Lake 1 project has been held in abeyance pending written confirmation of investment in the wider scheme.

The Northern Junction Roundabout scheme was approved to contracting stage on the 25 May 2018 subject to a number of conditions. Of these conditions, confirmation in writing of match funding being available to NLC and costs for the wider scheme being released by Homes England as a loan to enable the projects to start was awaited; hence GL LEP has been unable to proceed with the funding agreement to date.

Four planning applications were determined in July 2016 and the conditions of the permission PA/2013/1001 require that the first phase reserved matters must be submitted within three years of the date of the decision. This date is the 8th July 2019. However, to legally submit the reserved matters application, a number of other conditions must first be discharged.

The above, the northern roundabout and lake 1 are currently the subject of discussions with a new owner of the site and legal agreements are progressing for all parties concerned. A letter of intent has already been received on the 21st March 2019 from the investor concerned. The contracts remain in place for the Northern Roundabout and Lake 1 with Clugston Construction and they can be on-site within 6 weeks for the Northern Roundabout and 2 weeks with Lake 1 once all the necessary agreements are in place.

This will all be achievable well within the 31 March 2021 deadline providing a start is made as planned on site by late June 2019. The scheme will remain subject to monthly review and the Board requested that more detailed milestones be provided by NLC to the May Investment Board.

Councillor Peter Wheatley, NELC left the meeting

Access to Employment Zones Phase 2a (Paper 4)

Board Directors were asked to review the due diligence appraisal for this scheme (Littlecoates Road/Cambridge Road) and consider the Officer recommendations with regard to the funding allocation and progression to contracting stage.

Phase 1 of the scheme relating to the construction of a new signalised crossroads junction at Toll Bar on the A16 to the south of Grimsby, was contracted in July 2017. Phases 2a and 2b are uncontracted and Phase 2a formed the basis of the paper discussed.

Having reviewed all the information provided, including comments received from NELC, the Board members present remained concerned about the level of programme risk attached to delivery of the wider project, in particular the timings of Phase 2b due to the sequential nature of the overall scheme.

As the meeting was not quorate for this project, it was agreed that electronic approval by Board Directors should be sought from the Investment Board as soon as possible, and that the decision would be reported at the next Investment Board.

Note: The Board approved the recommendation to withdraw funding from Access to Employment phase 3 Nun's Corner be returned to the pipeline.

Meeting closed

1. PAPER FOR INFORMATION

- 1.1 Members of the Investment Board are asked to note the Growth Deal Programme progress report.

2. BACKGROUND

- 2.1 This paper explains how the LEP achieved its 2018/19 forecast targets and progress against the agreed improvement plan with government.

3. RISK MANAGEMENT

- 3.1 The Growth Deal programme is currently 82% contracted with 65% of contracted spend expended to date.
- 3.2 There are 8 schemes/phases still uncontracted with GLLEP and following previous investment board 2 projects have had funding withdrawn in order to progress projects within the pipeline. These amount to £22.05m growth deal allocation (18% of the total allocation). The table below shows which schemes fall within this category and latest milestones achieved.

Projects still to go through due diligence or with complex negotiations		
Scheme	Allocation £m	Update
Northern Junction Roundabout	1.9	Expect to be contracted May/ June
Skegness Gateway	1.3	Phase 1 land acquisition milestone achieved
A46 Roundabouts	2.5	Due diligence expected Q3 2019/20
Advanced Engineering Centre (The Bridge)	1.95	Due diligence expected Q2 2019/20
Lincoln Medical School	5	Today's Meeting
Sleaford Growth Project	2	Due Diligence expected Q3 2019/20
Gainsborough Growth Project Phases 1b & 2	2.4	Today's meeting
Access to Employment Zones Phase 2	1.8	In contracting stage, but awaiting completion of pre-contract conditions
Pipeline	3.2	Short term deliverable pipeline projects assessed and recommendations in paper 6.
Total	22.05	

- 3.3 There are currently four high risk RED uncontracted schemes (Skegness Gateway Project Phase 1, Northern Junction Roundabout, Access to Employment Zones Phase 2 and The Bridge). Progress on these projects can be summarised as follows:

Skegness Gateway Project

Officers met with the LCC lead project managers for the scheme on the 30th April. The agreed milestone for completing the land negotiation with

Croftmarsh (the Landowner) has been achieved and LCC are on track with discussing and agreeing HOTs by the 24 May.

Northern Junction Roundabout

The wider site is still progressing, tenders have been received for the Southern Roundabout and these are well within budget. The match funding will be developer led and this is being progressed. As reported in March, the scheme remains a programme risk if current milestones are not achieved. The milestones agreed with North Lincolnshire Council are as follows:

20/4/2019	Head of Terms agreed and signed between new investor and existing landowner (now in place).
20/5/2019	Land Acquisition legally completed between existing landowner and new investor upon completion of the sale of the scheme.
20/5/2019	Match funding for Northern Junction agreed and released to NLC (to be confirmed with land purchaser).
Mid-June 2019	GLLEP funding agreement signed.

Access to Employment Zones Phases 1 and 2

Monthly meetings being held with the NELC project lead.

Phase 1 Toll Bar - LEP to meet with NELC to understand impact of elections on the schemes.

Phase 2 Littlecoates Road/Cambridge Road -The scheme is scheduled to begin in January 2020. Several pre-contract conditions are still to be met before a contract can signed with GLLEP.

The Bridge

GLLEP met with the LCC ESIF lead, UOL, BEIS and GDT on Monday the 29th April. A process was agreed for appraising the scheme given the tight deadlines involved for delivery. Due diligence appraisal by the LEP is expected to take place in June 2019 and the ERDF call deadline for submissions has now been moved by GDT from 20 May to 6th June. This has potential implications for being able to understand initial queries/concerns from GDT in time for an informed position on the project in time for the July Investment Board. Options for progressing this scheme will need to be considered by LEP Officers and reported to the July Investment Board for consideration.

- 3.4 The LEP will continue to closely monitor all Amber and Red RAG rated schemes going forward as per risk mitigation processes agreed with the Board.
- 3.5 The LEP met its £8.7m growth deal target for the 2018/19 financial year. Freedoms and flexibilities applied were attributed to the Advance payments to the Agri-food Centre of Excellence Scheme, and the Boston Quadrant project.

3.6 The table and commentary below shows the current programme level detail:

	ACTUAL	FORECAST		Total ALL Years
	TO Mar 2019	2019/20	2020/21	
	TOTAL	TOTAL	TOTAL	
SLGF Allocation	98,684,980	6,809,606	18,153,052	£123,647,638
Project spend	80,419,723	14,673,724	28,554,191	£123,647,638

- The allocation (£6.8) for 19/20 has been received and is currently held on reserve.
- Recent project profiles estimate spend of £14.6million.
- The figures above are built into the Delta Spreadsheet (Dashboard) and follow on from the full re-profile exercise. These are now locked and project progress will be assessed against these figures.
- Spend on LCC capital projects (offset) amounts to £18.5 million. 300k has already been utilised from this fund and current forecasts show that this will be utilised in 19/20 (£7.8million) and 20/21 (£10.4million). This money is secured within the Accountable Body accounts.
- The other freedom and flexibility that has been used is the making of advance payments on projects. To date £25.2million has been released in this way. As at April 19 £13.6million had been evidenced. In 19/20 we estimate a further £10million with the remainder in 20/21.
- Grantham College and Skegness Countryside Business Park have repaid their allocation following withdrawal of the contracts. These are held on reserves with 160K being used in this financial year and £3.6M estimated for use in 19/20.

Please note: The figures above are estimated and include both Contracted and Uncontracted projects.

4. IMPROVEMENT PLAN

- 4.1 Following on from the Annual Performance Review, GL LEP has agreed a delivery improvement plan with BEIS. Four meetings to discuss progress against agreed milestones have been arranged with Government throughout the year, the first of which is scheduled for 8th July.

5. RECOMMENDATIONS

- 5.1 That the Investment Board notes the position of Single Local Growth Fund performance.

Investment Board

24 May 2019

Paper 3 - Lincoln Medical School

1. PAPER FOR DECISION

- 1.1 This paper seeks Investment Board approval to contracting stage for the Lincoln Medical School. The project is being considered as part of the Growth Deal Programme.

2. BACKGROUND

- 2.1 In July 2016, a Growth Deal 3 allocation of £5m was awarded provisionally to the University of Lincoln (UOL), including provision for GLLEP administration, legal and due diligence fees.
- 2.2 In order to accelerate the regulatory approval for the new school, the University has partnered with the University of Nottingham to utilise their existing curriculum and delivery model. The Lincoln Medical School (LMS) brings together a wide range of stakeholders across the whole GLLEP region including full support from the following:
- **Trusts:** United Lincolnshire Hospitals NHS Trust, Lincolnshire Partnership Foundation Trust and Lincolnshire Community Health Services NHS Trust.
 - **And (representing clinical commissioning groups):** NHS Lincolnshire West, NHS Lincolnshire East, NHS South Lincolnshire, NHS South West Lincolnshire and North Lincolnshire.
 - **And (representing primary care practice providers):** Lincoln Local Medical Committee.
 - **And (representing end of life care):** St Barnabas Hospice.
- 2.3 The LMS will link closely with the newly (July 2018) launched National Centre for Rural Health & Care. The pioneering Centre is supported by the Business Lincolnshire Growth Hub and headquartered in Greater Lincolnshire.
- 2.4 UoL has already created the Lincoln Institute for Health and the Institute's leading-edge work encompasses biomedicine and disease, drug design & development and practice & policy related research into quality improvement in health and social care.

3 THE PROJECT

- 3.1 The LMS will be a high-quality 5,682m² integrated clinical facility that will drive skills development across the fields of medicine and allied health subjects, providing the platform to grow the scale and diversity of existing provision from professional development to post-graduate qualification. Links with the Lincoln Institute for Health and the newly formed National Centre for Rural Health & Care will enable the delivery of leading-edge research from 'bench to bedside', ensuring the LEP region benefits from the skills and innovation injection it requires to meet the health & care challenges of the future.

- 3.2 The focus on growth and innovation will stimulate new entrants into the sector supply chain, driving greater productivity and local investment. The LMS will be built on the University of Lincoln's main Brayford Campus to maximise the opportunities and experience for learners and access to the established research base, creating significant economies of scale.
- 3.3 The Centre will deliver integrated specialist space for three strands of activity:
- **Clinical space** - designed to realistically replicate a range of settings, eg, hospital ward, accident & emergency treatment, home care, doctor's treatment room, pharmacy dispensing area, pharmacy consultation suite and therapeutic health treatment area.
 - **Professional development suite** - designed to support the continued professional development of existing practitioners in our region, supporting their skills development and ultimately impacting on the ability of stakeholder organisations to retain these key frontline staff.
 - **Research and innovation facilities** - providing a 'shop-front' location for industrial partners to engage with, and benefit from, the University's health & care related research.
- 3.4 The beneficiaries will be both individuals and organisations (ultimately including the full supply chain of SMEs through to large private providers and the NHS).
- 3.5 The LMS will link closely to the Lincoln Science & Innovation Park acting as an 'investment magnet' drawing greater numbers of innovation-led businesses and organisations to cluster on the Innovation Park, thus supporting the development of a high-skill jobs zone in the heart of the LEP region, with increased clustering driving the growth of this LEP priority sector.
- 3.6 Lincolnshire is the largest English county not currently served by a medical school. The establishment of a financially sustainable School of Medicine in Lincoln will be transformational and a once in a generation opportunity to:
- Provide the skilled workforce that the health & care sector within Lincolnshire needs.
 - Address chronic specialist shortages in Lincolnshire.
 - Drive support for general practice to allow the health & care sector to meet patient need in Lincolnshire.
 - Unlock the potential of the Lincolnshire to create a workforce that is from the community, for the community.
 - Drive innovation, transform education and industrial partnership in medical education.

4 MILESTONES

- 4.1 The following milestones are appropriate for the delivery of this project:

Detailed Design to RIBA Stage 3	Completed in January 2019
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Match funding from the University secured	Completed January 2019
Planning permission granted	Secured on 27 th March 2019
Procurement process	February 2019 to summer 2019
Construction	October 2019 to March 2021

5 RISKS

5.1 Key risks identified through due diligence appraisal are as follows:

Risk	Likelihood Low /Medium /High	Overall Impact Low /Medium /High	Mitigation	To be a condition of funding? Y/N
Project takes longer than anticipated to design and build	Medium	High	The University has developed a number of large scale capital build projects on the Brayford campus within the last 5 years.	Yes, post contract – subject to ongoing monitoring between the University and GL LEP.
Project costs are higher than anticipated	Medium	High	The costs are at current prices based on the extensive experience of the capital build delivery team. The University has recently completed construction of £126M build on the campus and the construction costs from these projects have been used as a base for the figures provided.	Managed through the tender process by an experienced team. Yes – post contract.
Low level of take up of facilities and services	Low	High	Research, as previously detailed, has indicated strong unmet demand for the project and suggests that take up of the services delivered through the capital build will be a low risk issue. Should demand be lower than anticipated the University will devote additional resources to marketing the services to a wider audience.	To be monitored by the University who will liaise with key partners and stakeholders in this regard. Yes – post contract.
Loss of key project staff	Medium	Low	As a large institution the University anticipates a churn of staff within key areas and has developed procedures to ensure continuity of business. The project development and delivery teams will form a project steering group (Client Review Group) as shown in the project milestones to ensure that information and experience is effectively archived.	Managed via internal university processes. No – not applicable to GL LEP.

6 COSTS AND MATCH FUNDING

6.1 Project costs are broken down as follows:

6.2 The University of Lincoln are seeking £4,975,000 of capital from GL LEP under the LGF programme. Total scheme costs are estimated to be £21,121,000.

6.3

6.4 GL LEP will be leveraging a payment of 0.5% for costs for undertaking due diligence and equates to a cost of £25,000. Total funding available from GL LEP is therefore £4,975,000. Overall funding from GL LEP therefore equates to 23.6% of total costs.

6.5 The University of Lincoln are providing all match funding for the project and thus will be meeting the balance of costs at £16,146,000. The match funding will be sourced from a mix of loan funding from the University's existing facility along with contributions from their own reserves. The amount of loan to will be determined at the time the project has completed the tender process and the construction cost crystallised.

7 OUTPUTS AND OUTCOMES

7.1 Specifically, the project will create:

- Private sector investment leveraged - £16.34 million - achieving a ratio of 1:32 which is excellent value for money.
- Number of jobs created - 80 jobs in future year. At £62,187 per job is in excess of the standard benchmark of £15,000 per job. The benchmark for skilled jobs can be up to £46,000 per job. This benchmark is also exceeded. However, new jobs created are part of a package of outputs and overall, are good value for money.
- Number of businesses assisted to improve performance - 30. This equates to a cost of £165,833 per business; which is high, however, businesses assisted is not a primary output in isolation for this project but part of a package of highly specialist outputs.
- Number of learners supported - 1,200 - this equates to a cost per learner of £4,146 which is excellent value for money.
- New floorspace constructed - 5,682 sq m. The cost per sqm is £876. This is higher than the standard benchmark of £200 per sq m; however, given the fact that this is a highly sustainable, BREAM excellent building this is considered to be good value for money to GL LEP.
- Interaction with the UK Knowledge Base - 40 interactions a £124,375 - this is an academic assessment as opposed to in accordance with benchmark; however, is part of the package of outputs being delivered and overall is value for money.

8 CONDITIONS

8.1 Approval of £4,975,000 towards the project is recommended from the Single Local Growth Fund, plus £25,000 for GLLEP legal, due diligence and administration fees (0.5%), however the following conditions are to be incorporated into the funding agreement:

- i. A copy of the written State Aid Advice provided by solicitors appointed by the University to be provided to GL LEP – **pre-contract condition**.
- ii. The University to confirm whether there will be any variation to the scheme that materially differs, in relation to the University constructing a larger building with elements of this to remain fallow until additional funding is secured and the remaining element of the building can be brought into use. It is noted that this is subject to the University finding additional funding and GL LEP will therefore be required to be kept updated in this regard – ongoing monitoring arrangements to be put in place between GL LEP and the University.
- iii. An updated programme of milestones for the delivery of the scheme to be provided once a contractor has been appointed – pre-drawdown condition.

RECOMMENDATION

- 9.1 That the Investment Board formally approves £4,975,000 of Single Local Growth Fund towards delivery of the Lincoln Medical School and supporting GLLEP fees of £25,000 subject to the conditions outlined above.



Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

in respect of

Single Local Growth Fund

for

**Lincoln Medical School
Lincoln
LN6 7TS**

Paper 3.1

14th May 2019

- DRAFT -

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APPENDICES

- I. BUSINESS CASE AND KEY SUPPORTING DOCUMENTATION
- II. RLB COST APPRAISAL

1.0 PROJECT SUMMARY AND PLANNING STATUS

- 1.1 A Detailed Business Case has been submitted by the University of Lincoln, seeking Local Growth Fund (LGF) from GL LEP of £5 million capital to contribute towards the construction of a new 5,682 sq m integrated medical clinical facility and medical school within the existing Brayford Campus in Lincoln.
- 1.2 The new Lincoln Medical School is proposed to be the mechanism to drive growth and productivity throughout the healthcare sector, injecting higher level skills and innovation for the sector throughout Greater Lincolnshire, for the benefit of the entire supply chain.
- 1.3 The Lincoln Medical School (LMS) will be delivered and managed by the University of Lincoln, who have partnered with the University of Nottingham so as to be able to utilise their existing curriculum and delivery model, which has served to accelerate the regulatory approval for the new school. The LMS therefore can commence operation upon completion of the construction works which are intended to be achieved by March 2021.
- 1.4 In developing this project, the University has brokered the full support of the following Trusts:
- United Lincolnshire Hospitals NHS Trust.
 - Lincolnshire Partnership Foundation Trust.
 - Lincolnshire Community Health Services NHS Trust.
 - NHS Lincolnshire West. }
 - NHS Lincolnshire East. } Representing Clinical
 - NHS South Lincolnshire. } Commissioning Groups
 - NHS South West Lincolnshire. }
 - North Lincolnshire. }
 - Lincoln Local Medical Committee – representing Primary Care practice providers.
 - St Barnabus Hospice – representing end of life care.
- 1.5 The LMS will also link closely with the following organisations:
- The newly launched National Centre for Rural Health and Care. This centre brings together a unique set of partners from the private, public, voluntary and community sectors who will also therefore establish linkages with the LMS.
 - The University itself has created the Lincoln Institute for Health (LIH), which spans the research pathway from bench to bedside and cell to community. The institute's leading edge work encompasses bio medicine and disease, drug design and development and practice and policy related research into quality improvement in health and social care along with its various partners. The LMS will also link into the LIH and its facilities and particularly research undertaken in order to enhance and support the proposed activities to be undertaken with the LMS.
- 1.6 The partnering arrangements and linkages with key organisations as detailed above have helped to shape detailed proposals for the LMS and its specialist areas of activity. Specifically therefore, the centre will deliver integrated but specialist activities across three component areas:

- Clinical Space – designed to realistically replicate a range of settings such as a hospital ward, accident and emergency centre, home care, doctor's treatment room and pharmacy. These spaces will facilitate skills development across medicine and allied health disciplines. The facilities will be operated by a dedicated team of staff and include simulation equipment, which is not currently elsewhere within the region. The clinical space will therefore create a step change in the quantity and breadth of provision currently operating within the LEP area, driving up critically fragile and failing levels of regional capacity and capability.
 - Professional Development Suite – designed to support the continued professional development of existing practitioners, supporting skills development and impacting upon the ability of stakeholder organisations to retain these key frontline staff.
 - Research and Innovation Facilities – providing a shop front location for industrial partners to engage with and benefit from the University's existing health and care related research facilities. This includes linking into the Institute of Health. All research to be undertaken will be underpinned by the concept of the Lincoln Living Lab, which creates and conducts responsive research in partnership with service users, health practitioners and organisations, industry and policy makers.
- 1.7 The LMS will initially deliver 80 medical places along with providing facilities, training and employer support to students, individuals and organisations within the health sector, ultimately including the full supply chain of SME's through to large private healthcare providers and the NHS.
- 1.8 Whilst the focus of activity will be in Lincoln, the activities of the LMS will be available throughout the Lincolnshire region through mechanisms including work base distance learning, internships, placements and knowledge exchange. Knowledge transfer partnerships and collaboratory funding and research will be targeted at organisations based throughout the LEP region, which replicate the successful models of existing university schools of engineering, chemistry, pharmacy and mathematics.
- 1.9 The LMS will also foster close linkages to the Lincoln Science and Innovation Park (LSIP). The LMS through its activities is intended to operate as an investment magnet, drawing greater numbers of innovation led business and organisations to cluster on the innovation park to capitalise on the benefits and opportunities generated by the LMS.
- 1.10 The completed LMS facility is intended to initially accommodate around 250 students and staff by the time it was to be opened in 2021. The space will comprise a teaching facility across five storeys, encompassed within a highly sustainable and environmentally friendly zero carbon building.
- 1.11 The scheme has been designed to RIBA stage 3 and secured full planning approval at the planning committee on 27th March 2019.
- 1.12 The LMS is to be delivered on a design and build basis and the tender process for securing a contractor is nearing completion. A decision on the tender process and appointment of a contractor will be completed by May 2019.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 The University of Lincoln are seeking £5 million of capital from GL LEP under the LGF programme. Total scheme costs are estimated to be £21,121,000, which includes £20,000 of revenue.
- 2.2 GL LEP will be leveraging a payment of 0.5% for costs for undertaking due diligence and equates to a cost of £25,000. Total funding available from GL LEP is therefore £4,975,000. As there is no revenue budget to be able to provide revenue funding, GL LEP funding of £4,975,000 is to be awarded as capital and towards the capital costs of construction.
- 2.3 Overall funding from GL LEP therefore equates to 23.6% of total costs.
- 2.4 The University of Lincoln are providing all match funding for the project and thus will be meeting the balance of costs at £16,146,000. The match funding will be sourced from a mix of loan funding from the University's existing facility along with contributions from their own reserves. The amount of loan to will be determined at the time the project has completed the tender process and the construction cost crystallised.
- 2.5 The match funding from the University has been approved following completion of an extensive exercise to identify and secure other sources of funding meaning there would be less reliance on the University's own capital reserves.
- 2.6 As match funding has been approved for the project, there are no other issues requiring to be addressed in this regard.

3.0 KEY ISSUES

- 3.1 The following minor issues were noted upon review of the Business Case, which are identified as follows:
 - i. At the time of preparing this Due Diligence Report, State Aid Advice has not been received as part of the application documentation; however is currently being prepared by solicitors.

Whilst it is not anticipated there will be any issues with State Aid compatibility through providing funding for the delivery of a university teaching, research and development facility, the State Aid Advice will be required to be provided and reviewed prior to any drawdown of funding, if the scheme is approved.
 - ii. The Business Case states that the University have developed the LMS to a minimum size to create a sustainable model, based upon an annual allocation of 80 medical student places. The University are currently pursuing an option that creates additional future capacity within the building which can only be achieved through the creation of space that remains fallow until further funding is available.

The Business Case goes on to state that if additional LGF funding were available this option could be pursued now. However, on the assumption that no additional GL LEP funding is available at this time, the University will

consider to pursue a means by which a larger building can be delivered to future proof the facility.

If the University are successful in this regard, the project may change between now and the anticipated completion date of March 2021.

It is therefore recommended as a condition of the funding that the University keep GL LEP updated in respect of the outcome of pursuing additional funding options and any subsequent proposed variations to the building in this regard, which may also vary outputs being delivered.

- 3.2 No further issues have been identified at this time with all other matters considered within this Due Diligence Report.

4.0 STRATEGIC FIT

- 4.1 The project has strong strategic fit with the following strategies:

- i. GL LEP's 2016 refreshed Strategic Economic Plan (SEP) and emerging Greater Lincolnshire Local Industrial Strategy (LIS). The LMS directly supports set priorities relating to the emerging healthcare sector which is also a priority area of the merging LIS. The scheme will potentially accelerate the pace of delivery of the objectives within the SEP relating to health and care as a priority sector and addressing challenges of an aging population. The LMS seeks to support these objectives.
- ii. The Health and Care in Greater Lincolnshire – the Way Forward Vision 2014 – this strategy acknowledges the need for a new approach to health and social care, that will improve the quality of care, integrate services; reduce the skills gap and the burden on the tax payer, whilst assisting to grow a new invigorated sector at the same time.

The LMS therefore provides a mechanism to unlock skills development and research/development capacity of the University in this area and to develop the know exchange pathways through work with key stakeholders into the healthcare industry.

- iii. Lincoln City Council Planning and Economic Policies. The project specifically supports Policy LP32 Preserving, Supporting and Expanding Lincoln's University and Colleges and Policy LP26 Design and Amenity standards, supported particularly through the zero carbon design of the building.
- iv. University of Lincoln. The LMS will support a number of the University strategies aligned with innovation, research and development and fostering links to support industry and priority sectors not just within Lincoln but also for the benefit of the wider region.

5.0 MARKET ASSESSMENT

- 5.1 The University have undertaken significant research including extensive stakeholder consultations in order to identify demand and supply conditions relevant to the LMS. The culmination of this research has identified the issues and challenges within the healthcare sector and enabled the LMS to be designed in order to provide the means and conduit to be able to address these challenges over the long term.

- 5.2 The research undertaken establishes that in addition to shortages skills and staff shortages within the healthcare sector, Lincolnshire also faces a further challenge given that 40% of the population live in rural and coastal areas. In addition, for every two people ages 16-24 years old that move out, three people aged over 60 moves in.
- 5.3 Acute care in Lincolnshire faces associated critical challenges, with the United Lincolnshire Hospitals Trust covering hospitals at Lincoln, Grantham and Boston being placed in Care Quality Commission (CQC) special measures in October 2013, and its clinical services in 2017. In September 2017, the Trust was placed into financial special measures by NHS England.
- 5.4 The Trust has highlighted extensively the impact of staffing gaps that are routinely filled with expensive temporary agency staff, driven through the challenges of having to provide services over a large geographical area.
- 5.5 The research also established that Lincolnshire is the largest English county that is not currently serviced by a medical school. Fundamentally therefore Greater Lincolnshire significantly lags behind the UK in terms of averages for skills within the health and care sector. For example, only 41% of staff holding higher level qualification (level 4 and above) are currently around 41% compared to 48% across the rest of the country.
- 5.6 Research presented in 2016 by Radio 4, highlighted the challenge faced by health trusts in recruiting frontline medical staff. Lincoln was highlighted as a particular example of this with it now proving more cost effective to operate recruitment centres in countries like the Philippines in order to secure nursing staff.
- 5.7 Based upon the market research undertaken, the University has identified that in order to address some of these challenges, the LMS provides an opportunity to :
- Provide the skilled workforce that the health and care sector within Lincolnshire needs.
 - Students studying a high quality curriculum will also have the ability to gain experience from local placements.
 - Unlock the potential of Lincolnshire to create a workforce which is from the community, for the community.
 - Drive innovation, transform education and industrial partnership in medical education.
- 5.8 In order to accelerate delivery of the LMS, as noted, a partnership with the long established, high quality medical education success of Nottingham has been secured to work alongside Lincoln University with their reputation for high quality teaching and industrial partnership, that responds to the skills and research needs of its community.
- 5.9 Based upon the research undertaken and the scheme now proposed, full approval for the school to open in September 2019 from the General Medical Council (GMC).

6.0 DEVELOPMENT APPRAISAL

- 6.1 The LMS is to be developed on land that is in the ownership of the University of Lincoln forming part of the Brayford Campus. The LMS will also be retained and operated by the University as one of its campus facilities and in context of these proposals a full and traditional development appraisal has not been undertaken.
- 6.2 The appraisal that has been completed as part of this Due Diligence is in relation to an overview of construction costs, which has been reviewed by RLB, working with Thomas Lister in this regard.
- 6.3 RLB have checked and verified all measured items and elemental rates and confirm that whilst there are some differences between RLB's and LMS estimates, these differences are minor. Overall costs are confirmed to be reasonable and in accordance with cost benchmarks for Higher Education schemes.
- 6.4 The outcome of RLB's cost review is provided within their report contained within Appendix II to this Due Diligence.
- 6.5 Total Construction costs including some element of professional fees is £21,111,308. Total scheme costs including all professional, planning, design and procurement costs are £21,121,000. GL LEP LGF is therefore to contribute to the construction cost for delivering the building.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 The LMS has been assessed as being highly deliverable, given that the University of Lincoln own the site and the design process which commenced in October 2018 achieved RIBA Stage 3 Design in January 2019.
- 7.2 The University of Lincoln also approved its match funding in January 2019.
- 7.3 This stage of design enabled full planning permission to be secured in March 2019.
- 7.4 The LMS commenced the procurement process in February 2019 on the basis that the appointed contractor will deliver the facility on a design and build basis. The tender submission deadline was 5th April 2019 and six tender responses were received from framework contractors and are currently subject to evaluation.
- 7.5 Subject to GL LEP funding being secured, it is intended to award Stage 1 contract at the end of May 2019 for the detailed design of the scheme with the award of the Stage 2 contract later summer 2019 whereby the site will be mobilised for a formal start on site in October 2019.
- 7.6 This start on site will enable the LMS to be completed by March 2021.
- 7.7 The status of the project and stages in the development process completed thus far mean that the scheme is almost ready to be taken forward by a contractor at which time a formal programme and price will be agreed.
- 7.8 There are no issues or concerns that have been raised or identified at this time in relation to deliverability and programme for development.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 As referred to in Section 3 of this report, State Aid Advice from the University's solicitors is currently awaited. The recommendation is therefore that State Aid Advice be provided pre drawdown of any GL LEP funding.
- 8.2 From GL LEP's involvement in a number of other educational projects, we are aware that the scheme maybe State Aid compliant under GBER Article 26, for which Training Aid can be provided.
- 8.3 Furthermore, the proposed grant from GL LEP is not considered to be notifiable State Aid, providing that the primary activity to be undertaken within the scheme is the delivery of wholly or predominantly for educational purposes, which coincides with the activities proposed by the University.
- 8.4 In addition, whilst for profit provision may be generated through any employer/economic activities being undertaken within the LMS, to businesses as part of the Universities activities, providing that these remain ancillary to the primary activity of education, such that these courses account for no more than 20% of annual activity, then this does not constitute notifiable state aid.
- 8.5 The final test for any businesses utilising the facilities provided at the LMS, whilst these may be deemed to be undertaking within the meaning of Article 107 (1) TFEU, providing that businesses will be charged a market rate for use of relevant facilities, they also will not receive any economic advantage flowing from the funding to be provided by GL LEP.
- 8.6 As noted, the above is required to be subject to verification through State Aid advice being provided by the University in this regard.

9.0 PROCUREMENT

- 9.1 Lincoln University has extensive experience and successful track record in delivering major capital development and publicly funded projects and therefore has an established and rigorously tested procurement strategy. The University therefore has systems in place to ensure best value for money and full compliance with public sector procurement legislation and best practice are in place.
- 9.2 The delivery of the LMS is being procured under the YORbuild2 Framework Agreement. This procurement route allows for competition within a pool of established contractors who have previously been vetted in terms of their suitability and capability to deliver major construction projects.

10.0 OUTPUTS AND VALUE FOR MONEY

- 10.1 The outputs that have been appraised as being delivered by this project are identified in the table below:

	2016/17	2017/18	2018/19	2019/20	2020/21	Future Years	Total
i) Core Outputs (Strategic Economic Plan)							
Public Investment Leveraged (£)							
Private Sector Investment Leveraged (£)			432,647	4,973,472	10,739,881		16,146,000
Number of new Jobs Created (gross)						80	80
Number of Jobs Safeguarded (gross)							
Number of new housing units completed							
ii) Local Strategic Outputs							
Commercial floorspace refurbished/constructed and occupied (sqm)							
Number of businesses assisted to improve performance					10	20	30
Number of learners supported					300	900	1200
Number of new businesses created							
GVA Uplift							
iii) Others (please list) *							
New training/learning floorspace (sqm)					5,682		5,682
Interaction with the UK knowledge base					10	30	40

10.2 The assessment for value for money of the outputs generated by the project is as follows:

- Private sector investment leveraged – achieves a ratio of 1:32 which is excellent value for money.
- Number of jobs created – 80 jobs at £62,187 per job is in excess of the standard benchmark of £15,000 per job. The benchmark for skilled jobs can be up to £46,000 per job. This benchmark is also exceeded. However, new jobs created are part of a package of outputs and overall, are good value for money.
- Number of businesses assisted to improve performance – this equates to a cost of £165,833 per business; which is high, however, businesses assisted is not a primary output in isolation for this project but part of a package of highly specialist outputs.
- Number of learners supported – at 1,200 this equates to a cost per learner of £4,146 which is excellent value for money.
- New floorspace constructed - 5,682 sq m at £876 per sq m. This is higher than the standard benchmark of £200 per sq m; however, given the fact that this is a highly sustainable, BREAM excellent building this is considered to be good value for money to GL LEP. The balance of construction costs which make this a very expensive specialist building to deliver are being met by the University.
- Interaction with the UK Knowledge Base – 40 interactions a £124,375 – this is an academic assessment as opposed to in accordance with benchmark; however, is part of the package of outputs being delivered and overall is value for money.

10.3 It is acknowledged that there significant other outputs that will be generated by the scheme, particularly within wider Lincolnshire and within the healthcare supply chain

network. These outputs have not been assessed or quantified but overall support and wholly justify investment in this project.

11.0 MILESTONES

- 11.1 As referred earlier, the project is at a relatively advanced stage and the milestones for the project for going forward to delivery are detailed in the table below:

Detailed Design to RIBA Stage 3	Completed in January 2019
Match funding from the University secured	January 2019
Planning permission granted	Secured on 27 th March 2019
Procurement process	February 2019 to summer 2019
Construction	October 2019 to March 2021

- 11.2 As referred earlier, the tender process to procure a contract on a design and build basis is at an advanced stage with tender responses currently subject to ongoing evaluation. The contractor is likely to be appointed in May 2019 and at which point a detailed programme for the contractor to complete the detailed design and build out the LMS will be provided. It is therefore recommended that a copy of the detailed programme once the contractor has been appointed funding.

12.0 RISK ASSESSMENT

- 12.1 The risk assessment for the project is shown in the table below:

Risk	Likelihood Low /Medium /High	Overall Impact Low /Medium /High	Mitigation	To be a condition of funding? Y/N
Project takes longer than anticipated to design and build	Medium	High	The University has developed a number of large scale capital build projects on the Brayford campus within the last 5 years. These have include the recently completed £126M build programme for the Sarah Swift, Isaac Newton & Cygnet Wharf, all located on the main campus. The University has a proud record of achieving 'on-time and on-budget' capital build programmes. As a result the University's Estates team have immediate experience and a group with the required expertise to deliver this project build within the time period described.	Yes, post contract – subject to ongoing monitoring between the University and GL LEP.
Project costs are higher than anticipated	Medium	High	The costs are at current prices based on the extensive experience of the capital build delivery team. The University has	Managed through the tender process by an

			recently completed construction of £126M build on the campus and the construction costs from these projects have been used as a base for the figures provided. Quantity surveyors will work alongside the project architects through the design phases to ensure costs do not exceed budget. The Estates team have experience of achieving construction efficiencies, if required; during the build process should costs increase during this period.	experienced team. Yes – post contract.
Low level of take up of facilities and services	Low	High	Research, as previously detailed, has indicated strong unmet demand for the project and suggests that take up of the services delivered through the capital build will be a low risk issue. Should demand be lower than anticipated the University will devote additional resources to marketing the services to a wider audience.	To be monitored by the University who will liaise with key partners and stakeholders in this regard. Yes – post contract.
Loss of key project staff	Medium	Low	As a large institution the University anticipates a churn of staff within key areas and has developed procedures to ensure continuity of business. The project development and delivery teams will form a project steering group (Client Review Group) as shown in the project milestones to ensure that information and experience is effectively archived.	Managed via internal university processes. No – not applicable to GL LEP.

13.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

13.1 The Due Diligence Assessment undertaken for this project has recognised that the scheme is at a relatively advanced stage of design and as such, this is reflected in the limited conditions attached to any LGF approval. These conditions are detailed below along with whether they should be pre-contract or pre-drawdown;

- i. A copy of the written State Aid Advice provided by solicitors appointed by the University to be provided to GL LEP – pre-contract condition.
- ii. The University to confirm whether there will be any variation to the scheme that materially differs, in relation to the University constructing a larger building with elements of this to remain fallow until additional funding is secured and the remaining element of the building can be brought into use. It is noted that this is subject to the University finding additional funding and GL LEP will therefore

be required to be kept updated in this regard – ongoing monitoring arrangements to be put in place between GL LEP and the University.

- iii. An updated programme for the delivery of the scheme to be provided once a contractor has been appointed – pre-drawdown condition.

14.0 CONCLUSIONS

- 14.1 The delivery of the LMS will be the first facility of its kind being delivered within the Greater Lincolnshire sub-region. The project is to be delivered and retained by the University as part of their overall offer and at the Brayford Wharf Campus on land that is owned by the University.
- 14.2 The scheme has evolved through collaboration with the University of Nottingham based upon their existing and highly successful medical facility developing the scheme and securing the necessary approvals permitting the facility for educational purposes to be delivered.
- 14.3 In addition, the University has undertaken extensive consultation with partners, key stakeholders and employers in Lincolnshire to ensure that the LMS will be designed and operated to be wholly in accordance with market need.
- 14.4 The project is at a relatively advanced stage with planning permission and match funding being secured and the scheme design to RIBA Stage 3. A contractor will be appointed in May 2019 to complete the detailed design process and build out the facility.
- 14.5 On this basis, the LMS is recognised to have the potential to make a significant economic impact within Lincoln and the Greater Lincolnshire sub-region and is recommended for approval.

15.0 RECOMMENDATIONS

- 15.1 It is hereby recommended that GL LEP LGF funding of £4,975,000 be approved for the project, subject to the conditions in Section 13 above being satisfied.

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Date: 14th May 2019

Investment Board

24 May 2019

Paper 4 - Digital and Professional Skills Centre

1. PAPER FOR DECISION

- 1.1 This paper seeks Investment Board approval to contracting stage for the Digital and Professional Skills Centre (DPSC) in Lincoln. The project is being considered as part of the Growth Deal supported Skills Capital Investment Fund Programme.

2. BACKGROUND

- 2.1 In July 2016, a Growth Deal 3 allocation of £29.45m was awarded to Greater Lincolnshire, of which £6.7m was initially made available towards a new Skills Capital Investment Fund at the July 2017 Investment Board. A call for projects in August 2017 and subsequent panel scoring process resulted in four schemes being identified for provisional growth deal allocations. At the 8th March 2018 Investment Board members approved a programme approach to the Skills Capital Investment fund, formally agreeing £7.34m towards the programme and enabling it to proceed to contracting stage.
- 2.2 The Lincoln College led DPSC scheme was one of the four projects awarded an allocation, being provisionally offered £2.3m out of the £3.07m originally requested due to limitations on the amount of overall funding available within the Programme.

3. THE PROJECT

- 3.1 The Digital and Professional Skills Centre will be delivered by Lincoln College, working in partnership with Risual Education Limited and Microsoft. DPSC will focus upon the LEP priority sectors of Health & Care and Manufacturing & Engineering.
- 3.2 The scheme involves the refurbishment and extension of the Gibney building, a historic part of the Lincoln College campus that is over 130 years old. The development will become the Digital and Professional Skills Centre (DPSC).
- 3.3 With LEP funding being limited to £2.3m, Lincoln College instigated a series of solution workshops to identify ways to deliver the project outputs within the funding available. The biggest challenge presented by the reduction in funding was to reshape the construction element of the project within the available monies; hence they are now focusing on refurbishing and repurposing the existing shell of the Gibney building without adding new floor space.
- 3.4 Lincoln College have undertaken extensive consultation with a range of employers and key stakeholders in order to fully understand their requirements.

- 3.5 **Manufacturing and Engineering** is a key sector for Greater Lincolnshire based on the significant contribution made towards the regional and UK economy. With skills gaps and hard to fill vacancies being prevalent among the majority of employers in this sector, the demographic of the existing workforce warns of greater challenges to come, especially in machinery and assembly roles. Lincoln College can provide blended courses and simulation suites demonstrating that it is a vibrant sector that provides a positive career option. The project will support the use of:
- E-welding equipment - allowing cohorts of students to learn and practice the skills required in a safe environment, building confidence before using actual welding tools.
 - Simulation software - allowing students to replicate managing the workshop environment and complete industrial processes.
 - New programmable logic controllers (PLC) and 3D printers in order to meet the needs of employers.
 - Work placements, work trials and work experience opportunities.
- 3.6 Lincoln College has partnered with enterprise and new business experts NBV to deliver Virtual Office space as part of the DPSC offer. NBV are a national not-for-profit organisation which delivers Information, Advice and Guidance to people who are looking to take the first step in launching their own business. They have committed to providing an Enterprise Advisor based in the Lincoln DPSC, who will be available for diarised or drop in consultations.
- 3.7 The DPSC will offer direct support to the **Health and Care sector**, which is one of the largest sectors in the GLLEP area and designated a priority. In order to help meet the sector's needs, the project will create a partnership led curriculum design to ensure that the academic offer is employer-led and linked to current and future needs. Delivery of the healthcare courses will be streamlined and focused on providing students with real experience of key roles, both via unique home care and emergency simulation suites in the DPSC. The simulation suites will also be available for CPD.
- 3.8 By creating bedroom, bathroom and kitchen environments in the refurbished Gibney centre, learners will be presented with a series of clinical and interpersonal real-life scenarios. Similarly, an ambulance will provide an emergency care simulation, allowing students to practice clinical and non-clinical (eg, communication) techniques in a realistic but safe situation.

The new courses that the College propose to deliver are as follows:

Level 2 Diploma in Adult Care
Level 3 Advanced Technical Extended Diploma in Health and Care
Level 2 Aviation Engineering
Level 4 in Engineering Manufacture
Level 4 Certificate in Computer Automation, Internet of Things and Assistive Technology
Level 4 Diploma in Vehicle Maintenance and Repair (IMI)



- 3.9 Despite challenges, the UK economy continues to grow and the digital industry is at the heart of this growth. The digital technology sector in Greater Lincolnshire is growing quickly with an estimated value of £779 million and this trend is predicted to continue. Research commissioned by the Business Lincolnshire Growth Hub in 2017 found that nearly 2,000 digital businesses are based in the county.

DIGITAL

- Located on ground floor as requested.
- Further detail needed on the requirements for the Fabrication Lab.
- Fabrication lab currently provided for this area within the existing building is 70.9sqm. Confirmation required on whether this is sufficient.
- Proposed classroom is smaller than BB103 recommendation.
- If timetabling would allow, could Digital share a classroom with Health and Care on first floor?



4. MILESTONES

4.1 The following milestones are appropriate for the delivery of this project:

- i. Written confirmation from the College that all match funding has been secured to enable delivery of the project - 31st March 2019.
- ii. Procurement process issued - 19th April 2019 (led by Gleeds).
- iii. Procurement contracts awarded - 1st June 2019, to be completed by 1st August 2019.
- iv. Project start date - 5th August 2019.
- v. Project completion date - 31st July 2020.
- vi. Start of training delivery - 2nd September 2020.

5. RISKS

5.1 Key risks identified through due diligence appraisal are as follows:

Risk	Probability	Impact	Mitigation
Delays in procuring the project.	Low	High	Use of the Scape Framework and contractor's framework utilise a fast tracked procurement process which is relatively easy to manage and monitor and risk in this regard is therefore low.
Delays with refurbishment.	Low	Low	Good levels of intelligence are known about the building and the College will ensure the timely award of the contract with clear expectations and obligations for completion.
Availability of specialist equipment.	Low	High	The College has already researched equipment availability and lead times for procuring are identified and understood.
Costs exceed estimates	Low	High	Projected costs are based on current suppliers' information. Robust tendering procedures will enable competitive prices for the building and equipment to be secured.
Disruption / displacement staff and students.	Medium	Medium	Curriculum planning to account for the work on site have been undertaken.
Risual Education Limited failed to	Low	Medium	Risual Education Limited has a robust project delivery plan,

deliver on apprenticeship and training requirements.			supported by Microsoft and excellent track record in terms of services provided.
Delayed outcomes or reduced delivery of output.	Low	High	All outputs will be subject to segmentation to reduce risk and ensure monitoring enables early identification of risks along with continuous engagement with employers to monitor feedback and any fluctuations in demand. The delivery of services and skills training within the DPSC will also be on a flexible basis so as to be able to adapt to employers needs should they change.

6. COSTS AND MATCH FUNDING

- 6.1 The total cost of delivering this project has been estimated at £4,606,658 and funding for this project has been secured at £1.6 million from the Institute of Technology, Lincoln College's own resources and reserves at £706,658 with the balance of funding sought from the GL LEP Skills Capital Investment Fund at £2.3 million (50% of total project costs).
- 6.2 The College has confirmed that match funding is secured and that the scheme is approved by the College Executive Leadership Team.

7. OUTPUTS AND OUTCOMES

- 7.1 The scheme is considered to be very good value for money. Specifically, the project will:
- Support the GLLEP priority sectors to meet their recruitment and training needs, with a focus on the Manufacturing and Engineering, Health and Care and Digital sectors.
 - Deliver the following core outputs - Lever in £2.3 million public sector funding and £2.3 million private sector funding and create 7 new jobs.
 - Deliver the following outcomes; 1740 sqm of skills space, assist 290 business to improve performance, 2910 enrollments in key sectors, 775 local businesses in skills training, create 216 new digital apprentices in businesses across all priority sectors, supported over 1,000 learners into new jobs and aid the creation of 80 new businesses, 6 new curriculum offers and 6 refreshed curriculum offers
 - Offer access to Continuous Professional Development locally to staff of all Greater Lincolnshire businesses.
 - Support access to learning in rural areas via our Online Learning platform.
 - Create bespoke employment routeways that will provide job-ready candidates to businesses.

- Provide residents with access to qualifications from Entry Level to Level 5 that have never been delivered in Greater Lincolnshire.
- Use new delivery methods using Instructor Led Training (ILT) providing direct skills provision to local companies.
- Offer Information Advice and Guidance (IAG), teaching resources and content Teacher training to transform the quality of teaching and learning, creating new innovation, delivery methods and efficiency in skills delivery across Greater Lincolnshire.
- Provide direct support to local businesses, especially for LEP priority areas to help digitise their working practices.
- Share lessons learned with the six other colleges within Greater Lincolnshire in line with recommendations made within the Area Review final report August 2017.
- Revitalise the Monks Road corridor, a focal point of Lincoln, and attract other investment to one of the most deprived wards in Greater Lincolnshire.

	2018/19	2019/20	2020/21	2021/22	2022/23	Future Years	Total
i) Core Outputs (Strategic Economic Plan)							
Public Investment Leveraged (£)							2,300,000
Private Sector Investment Leveraged (£)	£445,555	£1,819,008	£42,095				2,306,658
Number of new Jobs Created (gross)		3	4				7
Number of Jobs Safeguarded (gross)							
Number of new housing units completed							
ii) Local Strategic Outputs							
Commercial floor space refurbished/constructed and occupied (sq m)			1740				1740
Number of businesses assisted to improve performance			56	78	78	78	290
Number of enrolments supported within and for priority sectors			344	730	818	1018	2910
Number of new businesses created				20	20	40	80
GVA Uplift							
Number of brand new curriculums/training courses				3	3		6
Number of updated/modernised curriculums or courses				3	3		6
Number of learners as a result of this project securing jobs in a priority sectors	18	64	128	232	267	302	1011
iii) Others (please list) *							

8. CONDITIONS

8.1 Approval of £2,300,000 towards the project is recommended from the Single Local Growth Fund however the following conditions are to be incorporated into the funding agreement:

- Written evidence to be provided from the College to demonstrate that all match funding has been secured to enable the project to be delivered - pre-contract condition.
- The College must confirm that in the event of any cost increases or overruns that cannot be managed under the contract that the College will be responsible for meeting all additional costs in this regard - pre-contract condition.

- The College to provide a copy of the report on tenders and lowest tender for the preferred contractor - pre-drawdown condition.
- An up to date programme for delivery to be provided along with a profile for drawdown of funding once a firm programme for the scheme has been agreed - pre-drawdown condition.
- An agreed list of milestones to monitor performance - contract condition
- That the College monitor output delivery in accordance with GL LEP's requirements - post-contract.
- That the college undertake an evaluation of the impact of the scheme at the end of the project.
- That the space is used for education purposes in line with the application.

9. RECOMMENDATION

- 9.1 That the Investment Board formally approves £2,300,000 of Single Local Growth Fund towards delivery of the DPSC scheme via the Skills Capital Investment Fund Programme.



Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

**Funding from the Single Local Growth Fund
(Skills Capital Investment Fund)**

For

**The Digital and Professional Skills Centre
Lincoln College
Lincoln**

Paper 4.1

17th May 2019

- DRAFT -

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1.0 PROJECT SUMMARY AND PLANNING STATUS

- 1.1 Lincoln College have submitted a detailed Business Case seeking funding from the Skills Capital Investment Fund of £2,300,000, to contribute towards the refurbishment and expansion of the College's Gibney Building, which comprises a historic part of the Lincoln College Campus that is over 130 years old.
- 1.2 The project is being led by Lincoln College, with the key objective to deliver a new Digital and Professional Skills Centre (DPSC), providing a total of 1,740 sq m of educational floor space, for the provision of digital, manufacturing and engineering and healthcare skills delivery.
- 1.3 Whilst there are a number of other skills delivery projects being implemented throughout the Greater Lincolnshire sub-region, this project is innovative in that it has forged strategic partnership with Risual Education Limited and Microsoft. These exclusive arrangements mean that they will assist in providing solutions directly to students and to businesses so that new technological solutions and cutting edge IT resources can be show cased to businesses enabling technological advancement.
- 1.4 The partnership between Risual Education Limited and Microsoft at the DPSC will enable the College to deliver at least 216 digital apprenticeships in six brand new apprenticeship standards. These have been chosen by local employers following consultation and are:
 - Digital Marketer.
 - Data Analyst.
 - Cyber Security Professional.
 - Software Designer.
 - Infrastructure Technician.
 - IT Sales Technician.
- 1.5 Microsoft (MS) endorsement provides a kite mark from the world leader in business software and technology. Local businesses have said that they want industry recognised MS qualifications supported by industry qualified assessors. Employers are therefore supported by Risual Education Employer Engagement Manager who works with them to identify which are most appropriate for their specific needs.
- 1.6 The partnership with Microsoft enables the College to be equipped with the latest Microsoft technologies included teaching rooms, simulation suites, specialist digital equipment and business start-up units.
- 1.7 In terms of the target sectors, the College undertook a significant consultation exercise with employers across all of the sectors and have devised the project based upon the feedback that has been received and to ensure that skills, and services that are provided within the centre are employer led. Formal consultation was undertaken with over 40 key employers and stakeholders within Greater Lincolnshire including ASL, Hooton, Siemens, Allied Healthcare, Lincolnshire Chamber of Commerce, Natwest, NHS United Lincolnshire Hospitals, Lincolnshire Care Association, Priory, The Orders of St John Care Trust, Minebea and Micrometric.
- 1.8 The consultation was in the form of the following:
 - Workshops incorporating specific focus groups.
 - Round table and 1:1 discussions.

- Attendance at sector focussed workforce groups.
- Consultation with key representative bodies.

1.9 This consultation has been undertaken over a 24 month period and has been instrumental in the development of the project as proposed and underpinned the business case. It is also intended that following implementation of the scheme, this consultation will continue through seeking feedback from priority sectors in terms of outputs and impacts generated by the project and to ensure that this operates in accordance with employer needs given that these are likely to evolve and change over time given the rapid progress and changes that are constant within the digital and IT sector.

1.10 In addition to the direct and formal consultation, the College has also distributed a questionnaire to 1,200 businesses that have been recently engaged by the College. The feedback from the questionnaire has also been utilised to inform proposals for the DPSC and may also be a means of seeking further information in relation to the overall performance and achievement of the centre once it has been established and operational.

1.11 In terms of the sectors that will be targeted through this project, the DPSC will specifically offer the following:

i. Manufacturing and Engineering

A significant skills gap and hard to fill vacancies are prevalent among the majority of employers within this section, and the demographic of the existing workforce warns of greater challenges to come, especially in the machinery and assembly roles. Critically this sector needs to attract younger people with around 35% of vacancies within the sector being hard to fill.

A range of blended courses and simulation suites are proposed to be delivered within the DPSC which are as follows:

- E-welding equipment allowing students to learn and practice the skills required in a safe environment, before using actual welding tools.
- Simulation software allowing students to replicate managing the workshop environment and completing industrial processes.
- Updating engineering equipment in order to meet demands of the employer base such as Siemens.
- Extensive use of work placement, work trial and work experience opportunities.
- Exposing students to modern facilities and equipment that will produce skilled, work ready candidates.
- Delivering digital skills development to enable businesses to maximise new market opportunities and innovate.
- Delivering qualifications to fill supervisory and leadership skills gaps.

In addition, also falling within this sector is the aviation sector where there is also a critical shortfall of skilled employees.

ii. New Digital Business Incubation Suite

Lincoln College have consulted with the Lincolnshire Growth Hub Advisors who have confirmed support for the scheme and have endorsed the benefit of

having a committed Enterprise Advisor located within the DPSC as a highly accessible support resource. The Enterprise Advisors is viewed as an additional and complementary advisory role to the Growth Hub who provide more generic business advice services across a range of sectors and will therefore foster co-ordination and working arrangement to support, inform and enhance the respective roles and opportunities that can be promoted and sources between the respective facilities.

Lincoln College have partnered with Enterprise and New Business Experts, NBB, to deliver virtual office space as part of the overall DPSC offer. NBB are a national not for profit organisation which delivers information and guidance to people seeking to launch their own business. The centre will have a committed Enterprise Advisor in the DPSC set within a centre offering work space, meeting rooms and break out room.

iii. Health and Care

The DPSC will offer direct support to the health and care sector, which is one of the largest sectors in the GL LEP area and a designated priority.

The NHS Lincolnshire sustainability and transformation plan has been developed to respond to the strategic challenges facing the healthcare service and will fundamentally change the way the NHS operate.

This project can directly support workforce development and recruitment and it is noted there are around 9,560 vacancies advertised in 2016 across Greater Lincolnshire. Furthermore, most jobs have to be advertised at least six times before a suitable candidate can be recruited. Of even greater concern, is that the NHS has advised the College that by 2020 around 40% of the nursing workforce will be eligible for retirement.

The skills training to be provided at the centre will therefore be a partnership led curriculum designed to ensure that the academic offer is employer led and will offer a unique homecare and emergency simulation suites.

As referred to earlier, a number of healthcare businesses and key representatives have been consulted as part of extensive consultations for the DPSC. Specifically healthcare organisations approached include

- Prestige Nursing and Care.
- Allied Healthcare.
- Walnut Care.
- NHS United Lincolnshire Hospitals.
- Tonic Health
- Lincolnshire Care Associates.
- Priory.
- The Order of St Johns Care Trust.

As for all key stakeholders and businesses formally approached, consultations will continue post delivery of the project to monitor performance and outputs achieved and to ensure that the skills training provided by the DPSC remains in accordance with employer requirements.

In addition, the digital skills offer will also assist the health and care sector in providing general IT skills to a workforce which will enable a new telemedicine technology enabling more people to be treated at home.

1.12 The new courses that the College propose to deliver are as follows:

- Level 2 Diploma in Adult Care
- Level 3 Advanced Technical Extended Diploma in Health and Care
- Level 2 Aviation Engineering
- Level 4 in Engineering Manufacture
- Level 4 Certificate in Computer Automation, Internet of Things and Assistive Technology
- Level 4 Diploma in Vehicle Maintenance and Repair (IMI)

1.13 The rationale for the courses listed above are as follows:

Health and Care

- 1.14 Employers across the region have asked us to develop the new courses in direct response to their staffing needs. Several Health and Care employer summits have been held over the past 12 months, and organisations such as The Priory Group, Order of St Johns Trust, Canwick House, Linca and the NHS have openly discussed their current and future challenges.
- 1.15 There is a significant shortage of trained staff in the private care sector and as a result, patients who require their services are unable to be cared for in the environment that suits them, at home or in a care facility and in turn this puts further pressure on the NHS.
- 1.16 The NHS struggle to fill their healthcare vacancies currently and the situation is very likely to deteriorate further given the number of nurses who are eligible for retirement over the next five years and the confusion caused by Brexit. Employing, training and retaining staff in rural areas is a particular challenge in our region.
- 1.17 In addition, the pipeline to Higher Education health-related courses at the region's universities requires support. These courses and this project will work in partnership with the Higher Education institutions to improve the flow of applicants who will subsequently join the employers at a later stage.
- 1.18 The courses listed have been chosen by employers as the training covered will deliver learners who are ready to contribute as soon as they enter the workplace.

Aviation

- 1.19 The proposed course supports the needs of an under-represented sector when it comes to local training provision. In the next 20 years, airlines will have to add 25,000 new aircraft to the current 17,000-strong commercial fleet. There is already a shortfall of 32,000 engineers per annum, the increase in aircraft will mean that by 2026, approximately 480,000 new technicians will be required to maintain these aircraft. An airline based at a local airport is already flying some of its planes to Eastern Europe to be serviced because the expertise isn't available in the UK.

- 1.20 Added to this are the recruitment requirements of the RAF, AAR, Thales and Raytheon who work closely in partnership with the College and the opportunity to develop a pathway to the new Aviation Skills Partnership academy that will open in 2020.

Automotive

- 1.21 The automotive industry is facing a significant change in the next few years as the negative environmental effects of petrol and diesel engines are more widely understood and the Government introduce legislation that will force the industry to move towards vehicles that are powered by alternative energy sources.
- 1.22 Additionally, hybrid engines are now common place in the second hand market and significant numbers are being serviced outside of main dealerships. Government have recognised that this poses a health and safety risk of the highest order and are introducing legislation that will require mechanics and technicians working on hybrid and electric engines to hold specific qualifications, similar to an electrician working in the construction sector.
- 1.23 The technology included on vehicles is also increasing in complexity and requires new modules and courses to be developed in order that the repair and maintenance industry can keep pace with the change. Lane departure sensors, parking sensors, automatic braking, rear cross traffic alerts etc. are all elements that the sector need to become expert in. The Institute of the Motor Industry (IMI) have no recognised training centres in the region and have identified the College as an ideal location.

Engineering

- 1.24 Manufacturing and Engineering is a key sector for Greater Lincolnshire based on the significant contribution made towards the regional and UK economy. With an economic value of £3.4b, growth in the sector would have a significant impact on the region's overall growth.
- 1.25 With skills gaps and hard to fill vacancies being prevalent among the majority of employers in this sector, the demographic of the existing workforce warns of greater challenges to come, especially in machinery and assembly roles. The sector needs to attract younger people. The EEF Skills Report 2016 reported that 35% of vacancies within the sector are hard to fill.
- 1.26 The demographic of the Manufacturing and Engineering sector's workforce is made up of an ageing population and demonstrates a need to attract younger workers and create a succession plan that will safeguard business output and growth. The College has already started to work with employers to tackle this issue via the Made in Gainsborough project and would seek to replicate this model in other parts of the region as required.
- 1.27 The sector will play a significant part in the future economic growth of the GL LEP and East Midlands Engine regions but in order to do that businesses must be supported to develop and grow. Employers such as Siemens, Wefco and AMP Rose have told us that they need access to a pool of skilled work-ready candidates and support to embrace changes in the market and modernise processes in response to Industry 4.0.

- 1.28 Businesses also articulated a desire to respond to the 4th Industrial Revolution - Industry 4.0, and understand how the sector can increase its use of digital technology and automation to become more productive and competitive.

Digital

- 1.29 The proposed course will directly support the delivery of the objectives set out in the GL LEP Strategic Economic Plan (SEP) in relation to growth, skills, innovation, technology and promotion.
- 1.30 It will support the LEPs goals to “develop initiatives that will encourage innovation in digital products and services” and “ensuring that strategic business sectors have the skills necessary to integrate superfast broadband into their core business processes” thus increasing business competitiveness and making Lincolnshire an attractive location for inward investors.
- 1.31 The project responds to gaps in digital provision highlighted by employers (through research, interviews and focus groups) and by the DfE Area Review Board. In response to this feedback, we will deliver digital literacy, the implementation and effective application of sector-tailored forefront and assistive technologies and sector-specific digital training. These solutions are critical conditions for growth and will address issues associated with rural accessibility to skills development solutions.
- 1.32 Employers across all priority sectors and throughout the whole of the GL LEP area have highlighted a need for digital skills training. The requests have ranged from supporting staff with basic office skills to being able to protect an organisation's data and IP from cyber-attack. Local businesses want to ensure that they have the skilled and capable workforce needed in an increasingly digital world, as a lack of digital skills is a common barrier to people fulfilling their potential and to organisations enjoying increased productivity and growth.

The Scheme

- 1.33 As referred, the Gibney Building has been established as being suitable for the DPSC. The Gibney facility was built in 1885 for a purpose other than education and consequently the layout and use of the space is becoming less fit for purpose and therefore lends itself to refurbishment more than any other building within the College portfolio.
- 1.34 The scheme secured planning approval in 2017 and had to design a solution to maximise classroom space following notification of a reduced allocation of Skills Capital Funding.
- 1.35 The scheme has now been redesigned and the new scheme approved by the Lincoln College Executive Leadership Team and Department Heads in February 2019. The project is now in a position to proceed in accordance with the planning permission that was granted in 2017.
- 1.36 Therefore, subject to securing the skills capital funding from GL LEP, the project can proceed with a target start on site in August 2019 in readiness for start of the new academic year in September 2020.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 The total cost of delivering this project has been estimated at £4,606,658.
- 2.2 Funding for this project has been secured at £1.6 million from the Institute of Technology, Lincoln College's own resources and reserves at £706,658 with the balance of funding sought from the GL LEP skills capital investment fund at £2.3 million.
- 2.3 The total amount of GL LEP funding therefore equates to 50% of total project costs.
- 2.4 The College have confirmed that match funding is secured and that the scheme is approved by the College Executive Leadership Team.

3.0 KEY ISSUES

- 3.1 A comprehensive Business Case has been provided and there are few issues identified in relation to this project, given that it is at a relatively advanced stage in readiness for delivery.
- 3.2 The only issue that has been identified relates to the provision of supporting a more detailed specification of works and cost information for refurbishing the building for the proposed use.
- 3.3 As the project does have planning permission and is shortly due to be subject to a tender exercise, pending approval of GL LEP funding, it is recommended that a copy of the report on tenders and lowest tender be provided to GL LEP, so as to demonstrate that the scheme is deliverable in accordance with the funding secured and the project as proposed within the business case application.

4.0 STRATEGIC FIT

- 4.1 The subject scheme is wholly in accordance with the umbrella Skills Capital Investment Fund, in terms of enabling further education colleges and universities to address identified skills gaps within Lincolnshire, which are barriers to growth within priority industry sectors across the sub-region.
- 4.2 The subject scheme supports the Skills Capital Investment Fund through delivery of the new DPSC developed in accordance with employer requirements through extensive consultation that has been undertaken. This intelligence has been used to design new courses and apprenticeships in the provision of digital and other specialist IT skills, with a particular focus on the health and care and manufacturing sectors and more generic IT skills provision.
- 4.3 In addition, the DPSC is also intended to offer support to employers within Lincolnshire with use of specialist space and equipment available for skills training, business development and expansion. This is an exclusive and unique facility at this time created through partnership arrangements with Risual Education and Microsoft.
- 4.4 The project is also in accordance with other local strategic initiatives, including education and business strategies identified within the City of Lincoln Core Strategy and the wider GL LEP Strategic Economic Plan (SEP).

- 4.5 This project has therefore been demonstrated to have strong strategic fit in accordance with a number of strategies as identified above.

5.0 MARKET ASSESSMENT

- 5.1 As referred earlier within this report, Lincoln College have undertaken an extensive employer engagement and consultation exercise building on information obtained through the employer skills survey of 2017/18 and set up a steering group comprising key stakeholders from the key sectors that the DPSC is seeking to support.
- 5.2 The invitees to the steering group are identified as follows:
- City of Lincoln Council
 - Lincolnshire County Council & GL LEP
 - Deputy Chief Executive Officer, NBB
 - Chair of Lincolnshire Chamber of Commerce and Lincolnshire Institute of Directors
 - Prestige Nursing & Care
 - Curser & Foundation Digital, Lincoln
 - Manufacturing & Engineering Representative
 - Risual Education Limited
 - Orders of St John Care Trust
- 5.3 Whilst there were in excess of 40 public and private sector companies that could be invited to join the Steering Group, through dialogue with these organisations, it has been proposed that a core group of stakeholders will form the Steering Group and will therefore represent their sectors. Any specific specialisms within the wider sector will be engaged with through on-going consultation through other specialist groups, regularity bodies and organisations that also exist within these sectors to ensure that there is full representation provided to the Steering Group.
- 5.4 In addition, the ongoing consultation to be undertaken by Lincoln College post delivery of the DPSC will be with employers to ensure that views and feedback from a much wider public and private sector audience is maintained and used to underpin future monitoring and performance of the DPSC.
- 5.5 The consultation exercise has identified issues within the healthcare and manufacturing sectors, summarised as follows:
- 16-64 year olds with no qualifications is 6% higher than the average for England.
 - Given the aging population, businesses need to help to succession plan and actively reduce the forecast for 2022, there will be around 200,000 job vacancies to fill.
 - 21% of Greater Lincolnshire's job seekers are aged 18-24, and thus priority has to be given to support young people to access further education and to progress to higher levels of qualifications.
 - The healthcare sector is under significant pressure due to the large number of vacancies and significant challenges in recruiting.
 - Health trusts are no longer able to seek employers from abroad in order to fill the skills gap.
 - 40% of nurses in Greater Lincolnshire hospitals will be eligible for retirement in the next 5 years.

- An ageing population means that the reliance on public and private healthcare will increase, resulting in the need for more staff.

5.6 In terms of the manufacturing sector:

- This sector contributes to over 20% of Greater Lincolnshire's output and employs 43,000 people.
- Employers are now finding it difficult to recruit suitably qualified engineering technicians, with 50% of all vacancies being difficult to fill.
- Within this sector, growth is predicated to expand around 3% between now and 2024.
- The fourth industrial revolution or industry 4.0 as it is known, has a focus on end to end digitalisation of all physical assets and integration into digital eco systems with value chain partners. Employers are reviewing their employer skill sets with a view to preparing for the deployment of the industry 4.0 solutions. The impacts of the industry 4.0 solutions cover a myriad of processes and systems throughout the manufacturing sector and support is needed to upskill staff throughout the sector.

5.7 Issues relating to shortages of skills within the aviation sector have a particularly strong presence within Lincolnshire and have also been identified through consultation. Engagement with a number of private employers and the RAF have sited a critical shortfall of skilled employers in the mechanical and maintenance roles within this sector.

5.8 Because of this skill shortage and in order to tackle an identified deficit in young aviation professionals, the Aviation Skills Partnership (ASP) has recently been formed to create accessible pathways for young people to the industry and an aviation skills manifesto has been created. This outlines the need to improve skills development through partnership, provide employer led career pathways, deliver world class training and share knowledge and expertise from within the industry. Lincoln College is a member of the ASP and as such has direct access to industry experts, exclusive training programmes and the ability to promote vacancies from a wide range of employers.

5.9 Lincoln College are already providing organisations such as the RAF, Raytheon, Thales and AAR with work ready candidates for engineering roles. In addition Lincoln College are a partner of the Aviation Academy to be built at Syerston and thus will therefore be well placed to understand and meet the needs of employers through the provision of skills training at the DPSC.

5.10 As referred, the DPSC therefore focuses on skills gaps and shortages specifically identified by key stakeholders and businesses within priority sectors and the DPSC is therefore designed in accordance with the findings of market research and analysis.

6.0 DEVELOPMENT APPRAISAL

6.1 A development appraisal of this project has not been undertaken in the traditional sense, given that this is a refurbishment and expansion project of an existing College building, within Lincoln College's Campus and will be retained and operated as part of educational facilities.

- 6.2 We have not been provided with a Business Plan and/or cashflow for the completed facility given that this will form part of the educational estate. It is assumed that the College therefore have sufficient resource to be able to operate and manage the building in accordance with College operations and financial systems.
- 6.3 As also noted, a cost appraisal has not been undertaken at this stage; however given that the scheme is due to be tendered shortly subject to approval of GL LEP funding, it is recommended that a review of the report on tenders and preferred contractor's tender is provided to GL LEP so as to demonstrate the scheme is deliverable in accordance with funding secured and project proposals.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 The proposed scheme is deemed to be highly deliverable, given that it has secured planning permission, the building is in the ownership of the College and funding sources with the exception of GL LEP have been secured.
- 7.2 The scheme is to be subject to a tender process in readiness for works to commence on site during 2019.
- 7.3 In this regard, the following milestones for the project are identified:
- i. Written confirmation from the College that all match funding has been secured to enable delivery of the project – 31st March 2019.
 - ii. Procurement process issued – 19th April 2019 (led by Gleeds).
 - iii. Procurement contracts awarded – 1st June 2019, to be completed by 1st August 2019.
 - iv. Project start date – 5th August 2019.
 - v. Project completion date – 31st July 2020.
 - vi. Start of training delivery – 2nd September 2020.
- 7.4 It is noted however that outside of the above programme, the digital apprenticeships programme has already commenced in anticipation of full facilities being made available within the new DPSC. Some of these digital apprentices commenced in January 2018 utilising existing equipment and facilities albeit limited but available within the Lincoln College Campus. These facilities will be fully enhanced and expanded to enable the full suite of digital skills and apprenticeships training to be undertaken; however will be reviewed following completion of the first training and learners which are anticipated to be by July 2019.
- 7.5 It is recommended that all of the above outputs will be subject to monitoring with GL LEP through the delivery process of the project and post-completion of the works.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 State Aid advice has been sought from Shoosmiths Solicitors to consider and advise whether their receipt of Skills Capital Funding is compliant with State Aid Rules.

- 8.2 State Aid is defined under Article 107(1) of the European Treaty and identifies four tests, all of which must be met for there to be State Aid.
- 8.3 Shoosmiths have identified that not all of the tests are met in relation to the potential receipt of Skills Capital Funding by Lincoln College and therefore there is no State Aid in respect of this project.
- 8.4 Furthermore, the Capital Skills Investment Fund has previously been deemed to be State Aid compliant under GBER Article 26, for which Training Aid can be provided.
- 8.5 On the basis of the information provided by the College, we have concluded that funding being provided to Lincoln College for the project as proposed should not give rise to any issues relating to State Aid.

9.0 PROCUREMENT

- 9.1 Lincoln College follows public sector procurement guidelines and has a procurement policy in place that details the regulations, responsibilities and accountabilities for the procurement of goods, services and works. The construction of this project will be delivered via the Scape Group and specifically its subsidiary Scape Procedure, which provides public sector clients access to a number of frameworks in the built environment sector.
- 9.2 All frameworks are delivered by Scapes Framework partners, who are experts in their field and who have been awarded their framework agreement following a competitive OJEU tender process.
- 9.3 Lincoln College are intending to appoint Perfect Circle from the Scape Framework, who are a joint venture formed by Pick Everard, Gleeds and Aecom, in order to provide a broad range of high quality built environment consultancy services specifically to procure and deliver this project. Contractors will be approached from the East Midlands Property Alliance Framework and three construction companies will be invited to tender for the scheme.
- 9.4 The procurement process for the DPSC is therefore considered to be wholly compliant with public sector procurement regulations.

10.0 OUTPUTS AND VALUE FOR MONEY

- 10.1 The outputs and value for money assessment for this project is summarised as follows:

	2018/19	2019/20	2020/21	2021/22	2022/23	Future Years	Total
i) Core Outputs (Strategic Economic Plan)							
Public Investment Leveraged (£)							2,300,000
Private Sector Investment Leveraged (£)	£445,555	£1,819,008	£42,095				2,306,658
Number of new Jobs Created (gross)		3	4				7
Number of Jobs Safeguarded (gross)							
Number of new housing units completed							
ii) Local Strategic Outputs							
Commercial floorspace refurbished/constructed and occupied (sq m)			1740				1740
Number of businesses assisted to improve performance			56	78	78	78	290
Number of enrolments supported within and for priority sectors			344	730	818	1018	2910
Number of new businesses created				20	20	40	80
GVA Uplift							
Number of brand new curriculums/training courses				3	3		6
Number of updated/modernised curriculums or courses				3	3		6
Number of learners as a result of this project securing jobs in a priority sectors	18	64	128	232	267	302	1011
Local Businesses assisted in Skills Training			100	200	300	175	775
New Digital Apprenticeships			25	62	63	66	216

10.2 The value for money assessment of the project in accordance with the Capital Skills Investment Fund umbrella programme is as follows:

- Private Sector Leverage – is 1:1.01. Standard industry benchmarks for private sector leverage are in the region 1:2 in order to be considered good value for money. As however this is an educational project, private sector leverage is not from a traditional source but alternatively being from a College and the Institute of Technology. On this basis and given that the College are also providing the building within which the DPSC will be located, the overall investment by the College is considered to be reasonable value for money.
- 7 new jobs created at £328,571 – does not fall within the range of value for money for cost of jobs created; however jobs created is not a primary output being delivered by this project, but is ancillary being created by the project requiring new staff to provide the skills training within the DPSC.
- Commercial floor space refurbished – at a cost of £1,322 per sq m is significantly in excess of value for money benchmarks. However, it is not the refurbishment of the building that is a primary output, it is the use of the building and activities contained therein and therefore this is an ancillary output to the primary objectives of the project.
- Number of new businesses assisted to improve performance – the cost of business £7,931 is good value for money in accordance with standard benchmarks.
- Number of enrolments supported within and for priority sectors - 2,910 at a cost of £790 per enrolment is excellent value for money.
- Number of new businesses created – 80 businesses at £28,750 per business is good value for money, particularly as this is not one of the primary outputs targeted by the project.
- 12 new/updated curriculums or courses at a cost of £191,667 per course is generated by the project. The value for money of this has been assessed in context with the overall package of output delivered by the project and on this basis is considered to be good value for money.
- Number of learners as a result of this project securing jobs in priority sectors – 1,011 at £2,275 per learner, which is considered to be good value for money and a primary output for the project.
- 775 local businesses in skills training - £2,968 per business which is excellent value for money.
- 216 digital apprenticeships at £10,648 per apprenticeship is good value for money.

10.3 Overall, therefore, the project is identified as having the potential to deliver a wide package of outputs along with significant other benefits that are not formally collated as part of Skills Capital Investment Fund outputs. Therefore, the benefits and impacts created by this project are potentially significant and the scheme is considered to be very good value for money.

11.0 MILESTONES

11.1 Milestones for the project are shown in the table below:

Milestone	Forecast Date	Comments
Planning permission submitted.	December 2016	Completed – full planning permission given on 23 rd March 2017.
Match funding secured.	May 2019	Combination of bank loan, cash reserves and public funding.
Procurement process issued.	1 st July 2019	Process led by Gleeds as part of the National Built Environment Consultancy Services (BECS) framework.
Procurement contracts awarded.	12 th August 2019	Procurement process likely to take 6 weeks.
Project start on site.	14 th October 2019	For the delivery of Digital Apprenticeships, the delivery started in January 2018.
Construction	25 th September 2020	Build completed over a 50 week period.
Handover and snagging.	28 th September 2020	None
Project completion date.	23 th October 2020	None
Building open	w/c 26 th October 2020	None
Start of training delivery	November 2020	Technology will allow for training to commence before the build is complete.
Completion of training of first trainees/learners.	July 2019	Digital Apprenticeships are 18 to 24 months duration.

12.0 RISK ASSESSMENT

12.1 A risk register has been prepared by the College and their consultant and a summary of key risks for the project has been documented within the Due Diligence Business Case. The key risks are identified as follows:

Risk	Probability	Impact	Mitigation
Delays in procuring the project.	Low	High	Use of the Scape Framework and contractor's framework utilise a fast tracked procurement process which is relatively easy to manage and monitor and risk in this regard is therefore low.
Delays with refurbishment.	Low	Low	Good levels of intelligence are known about the building and the College will ensure the timely award of the contract with clear expectations and obligations for completion.
Availability of specialist equipment.	Low	High	The College have already researched equipment availability and lead times for procuring are identified and understood.

Costs exceed estimates	Low	High	Projected costs are based on current supplier's information. Robust tendering procedures will enable competitive prices for the building and equipment to be secured.
Disruption / displacement staff and students.	Medium	Medium	Curriculum planning to account for the work on site have been undertaken.
Risual Education Limited fail to deliver on apprenticeship and training requirements.	Low	Medium	Risual Education Limited have a robust project delivery plan, supported by Microsoft and excellent track record in terms of services provided.
Delayed outcomes or reduced delivery of output.	Low	High	All outputs will be subject to segmentation to reduce risk and ensure monitoring enables early identification of risks along with continuous engagement with employers to monitor feedback and any fluctuations in demand. This will be undertaken through continued consultation and dialogue with key employers and stakeholders and through direct monitoring in this regard undertaken by the College. The delivery of services and skills training within the DPSC will also be on a flexible basis so as to be able to adapt to employers needs should they change.

12.2 The assessment of risk is considered to have been undertaken in sufficient detail by the College across all intended activities and no issues are therefore raised in this regard.

13.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

13.1 Conditions within the funding agreement will need to incorporate the following:

- i. Written evidence to be provided from the College to demonstrate that all match funding has been secured to enable the project to be delivered – pre-contract condition.
- ii. The College must confirm that in the event of any cost increases or overruns that cannot be managed under the contract that the College will be responsible for meeting all additional costs in this regard – pre-contract condition.
- iii. The College to provide a copy of the report on tenders and lowest tender for the preferred contractor – pre-drawdown condition.
- iv. An up to date programme for delivery to be provided along with a profile for drawdown of funding once a firm programme for the scheme has been agreed – pre-drawdown condition.

- v. That the College monitor output delivery in accordance with GL LEP's requirements – post-contract.

14.0 CONCLUSIONS

- 14.1 The proposed DPSC, will provide skills and training, along with six brand new apprenticeship standards designed to address the need for innovation, improving productivity and maintaining business competitiveness in a modern, digitised market.
- 14.2 The DPSC will be delivered in partnership with Microsoft and Rissal Education Limited and will be undertaken in a refurbished Gibney Building within the College Campus to provide a state of the art learning environment, with cutting edge technologies, focussed on plugging skills gaps and delivering training in the application of new technologies.

15.0 RECOMMENDATIONS

- 15.1 It is hereby recommended that the Skills Capital Investment Fund of £2,300,000 is recommended for this project, subject to the conditions detailed in Section 12 above.

Prepared by:



Date: 15th May 2019

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Investment Board

24 May 2019

Paper 5 - Proposals for Growth Deal Allocations

1. PAPER FOR DECISION

- 1.1 This paper seeks Investment Board approval to provisionally award growth deal grant allocations to three recently reviewed and scored GLLEP pipeline schemes.

2. BACKGROUND

- 2.1 A call for pipeline projects was released on Monday 29th October 2018 and closed on the 10th December 2018. This invitation to local stakeholders and businesses for project ideas on an outline business case basis received 47 responses. A revised GLLEP pipeline was subsequently agreed by the GLLEP Board on the 29th March and a number of deliverable short term projects that could complete financially before 31 March 2021 were identified through the review process to potentially replace existing underperforming allocations.
- 2.2 Being mindful that at this stage in the Growth Deal programme, some schemes are not achieving key milestones, some hard decisions have been made by the Board over the last couple months to ensure programme delivery. This has resulted in £3.2m being returned to the growth deal programme for reallocation.

3. THE PROCESS

- 3.1 Following the 29th March Board, the six short term schemes deemed most deliverable by March 2021 were invited to compete for grant funding that had become available with a deadline of 1 May 2019 for full business case submissions. Five schemes provided proposals for consideration requiring £9.9m of grant in total, these were as follows:

Proposal	Total Scheme Cost	SLGF Requirement
Borderville Expansion	£2,525,328	£1,247,964
Digital, Technology, Transport and Logistics Academy	£3,475,000	£2,425,000
Sleaford Moor Enterprise Park	£43,850,000	£2,500,000
Huttoft Boat Shed Visitor Centre	£480,000	£240,000
Keadby Terminal Assisted Outfall Pumping Station Project	£34,937,095	£3,493,709
Totals	£85,267,423	£9,906,673

- 3.2 The assessment panel used the standard LEP scoring process within its Local Assurance Framework, but applied a higher percentage weighting to deliverability on this occasion. Final scores were as follows:

Proposal	Score out of 50
Borderville Expansion	35.8
Digital, Technology, Transport and Logistics Academy	34.6
Keadby Terminal Assisted Outfall Pumping Station Project	34.6
Huttoft Boat Shed Visitor Centre	33.4
Sleaford Moor Enterprise Park	24.7

4. THE ANALYSIS

- 4.1 All five schemes were deemed deliverable; however, one project was assessed as requiring more development than some of the others and the panel felt that it was an obvious candidate for the GLLEP's Feasibility Fund. The panel would recommend expanding the remit of the feasibility work to consider development of the wider site and not just the utilities provision.

This scheme was Sleaford Moor Enterprise Park. The panel understood the strategic need for this scheme and its importance for Sleaford as a growing town, but felt the submission would have benefitted from more market evidence. The output delivery timescales were a slight concern with only 30 jobs being created by 31 March 2024 for a £2.5m investment and not equating to the unit sizes forecast in the first 3 years; however, it was noted that jobs created rose significantly to an estimated 591 in future years. The significant £41.3m leverage was provisionally approved by NKDC but not confirmed, and would be on the basis of a 40 year loan, a big commitment and risk for the authority to undertake.

- 4.2 The four remaining schemes received very similar scores but differed in risk levels, timescales for delivery and funding need.
- 4.3 Borderville Expansion from New College Stamford presented a very strong business case and the scheme was assessed as deliverable within the 31 March 2021 deadline for the programme. Outputs and outcomes are excellent value for money and deliver against a range of key sectors with good employer engagement. This scheme does; however, still require planning permission (being submitted in September 2019) and timescales provided for procurement were deemed very tight. Although initial plans have been drawn up for the scheme, it was also noted that detailed design is yet to be completed. That said, the added timescales required to get to the point of construction would still allow for delivery by GLLEP deadlines.

- 4.4 The Digital Technology, Transport and Logistics Academy from Boston College was a very good business case, but could have been clearer in describing which aspects of the project LEP money would be directly going towards and how the three elements of the overall scheme, ie, new build academy, 750sqm hall block refurbishment to specifically enable block course provision, and the Spalding hub connected together.

The scheme has tremendous support from local businesses, politicians and the University of Lincoln (letter provided) and targets a key sector that clearly has a gap in skills provision at the moment.

- 4.5 The smallest of the projects submitted, but by no means the least strategic or deliverable, was Huttoft Boat Shed Visitor Centre, a Lincolnshire County Council application. The panel liked the additionality this scheme would bring to the visitor economy in the Skegness area, building upon the success of the nearby North Sea Observatory Gallery in Chapel St Leonards and providing a much needed stop off point along the coastal footpath.

Detailed design will be complete by September 2019 and planning permission is to be submitted in August 2019 (some elements of the detailed design do not affect the planning application). Procurement would take place between September and November 2019 with construction being underway in December 2019. Completion of the main building would be April 2020. A low risk scheme with very little risk and very deliverable.

- 4.6 Finally, we looked at the Keadby Terminal Assisted Outfall Pumping Station Project on behalf of North Lincolnshire Council and the Environment Agency. This would definitely be a deliverable and very low risk scheme with all funding in place, design and procurement complete and construction having already commenced. Our main concern with this project was outcomes and why our grant funding was indeed necessary. By their own admission, *"reducing Environment Agency's FDGIA input into the capital works at Keadby releases funding to deliver capital investment in the upstream watercourse network"*. There was no indication of what this upstream investment might be, where it is located, or even if it would directly benefit Greater Lincolnshire.

The submission also mentioned that it had already been through a 5 case business case model appraisal but the document was not enclosed for reference. Demand and need could have been explained a lot more effectively and we felt the outputs provided were more indirect, ie, Sandtoft Business Park Development jobs.

5. RECOMMENDATIONS

- 5.1 Taking all of the above analysis into account, including the level of outputs and outcomes the schemes would provide, the panel recommends the following:

That the Investment Board approves provisional growth deal allocations totalling £3,912,964 to three new schemes:

Borderville Expansion (Stamford college)	£1,247,964
Digital, Technology, Transport and Logistics Academy	£2,425,000
Huttoft Boat Shed Visitor Centre	£ 240,000

- 5.2 As can be seen this includes overprogramming by 700K. Funding would be subject to due diligence appraisal and contracting. Given the level of risk in other schemes as detailed in Paper 2 (Growth Deal update) the board will wish to consider the risk of progressing this option.
- 5.3 There is still potential for projects to underspend or not hit the milestones as agreed at the previous board meeting. To mitigate against the risk there is capacity within the overall LEP finances. The loan fund has recently had a repayment of £600k from the Stokes café investment and there have been interest payments within the year. These monies have greater flexibility and could be utilised for grant funding if needed.
- 5.4 The panel also recommends that feasibility funding be considered for the Sleaford Moor Enterprise Scheme to help progress and steer the proposal. Discussion should be arranged as soon as possible in this regard.
- 5.5 The panel also recommends that the Keadby Terminal Assisted Outfall Pumping Station is asked to resubmit an application giving more information on additionally, and the need for funding.

Investment Board

24 May 2019

Paper 6 - Gainsborough Growth Project

1. PAPER FOR DECISION

- 1.1 This paper seeks Investment Board approval to contracting stage for Phase 2 of the Gainsborough Growth project. The project is being considered as part of the Growth Deal Programme.
- 1.2 It also seeks Investment Board approval for a variation to contract on the Phase 1a element of the Gainsborough Growth Project.

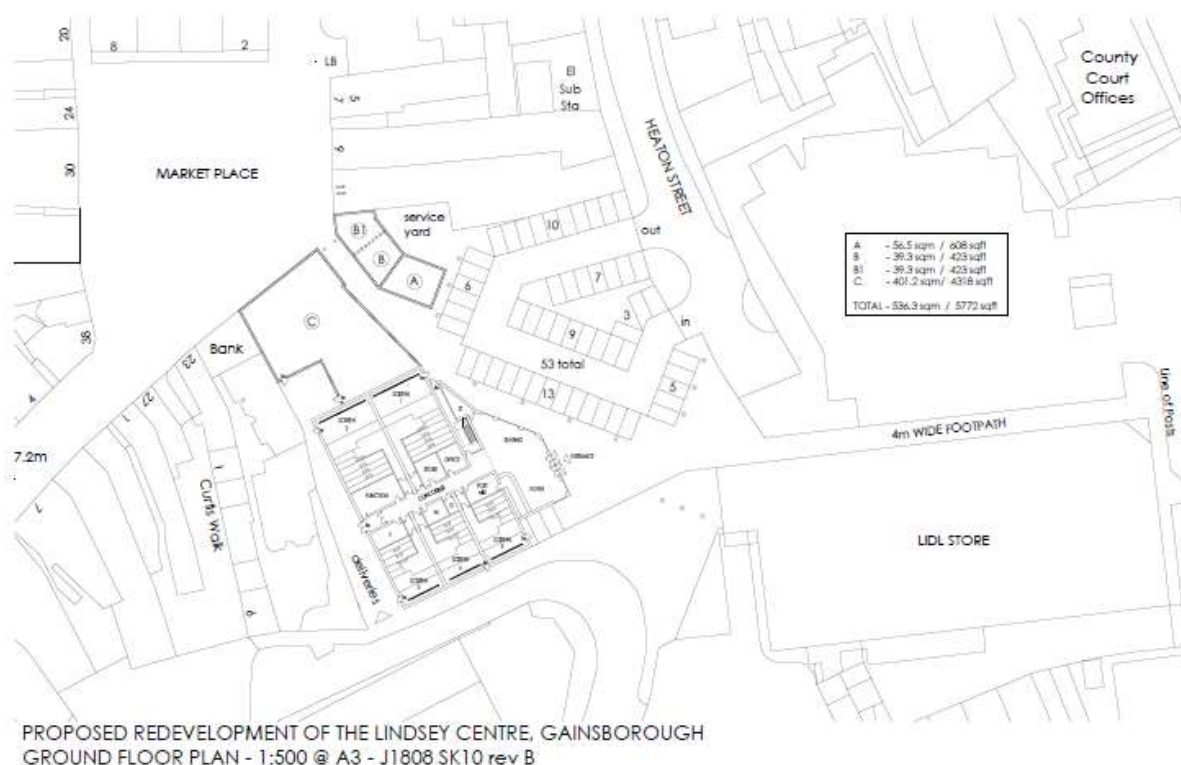
2. BACKGROUND

- 2.1 In July 2016, a Growth Deal 3 allocation of £4m was awarded provisionally to West Lindsey District Council (WLDC), including provision for GLLEP administration, legal and due diligence fees.
- 2.2 Gainsborough Growth Programme is a major town centre regeneration initiative, which will attract significant private sector investment and commercial development to the town, supporting the delivery of GLLEP objectives for housing led-economic growth. The regeneration of Gainsborough is supported by Central Government in their designation of Gainsborough as a Housing Zone.
- 2.3 The scheme includes a suite of projects in two phases, which will restore and revive Gainsborough's town centre, creating a coherent, attractive and strong commercial hub and supporting a growing town.
- 2.4 Phase 1a of the scheme was contracted with GLLEP on 20th July 2018 and included the following:
 - Former Guildhall, Whitton Garden and Lidl town centre redevelopment: redevelopment of key sites to create a new anchor for the town centre at its western end and link to the river, including the construction of a 4 screen cinema, 3 restaurants/ retail units and substantial public realm improvements.
 - Gainsborough Transport Model: now complete.
 - Living Over the Shop: Refurbishment pilot to convert upper stories of shops into flats. The conversion of town centre properties will not only assist with the delivery of residential properties in an area facing viability challenges, it will also increase footfall and vibrancy of the town centre (partially complete).

Total project costs were estimated at £14,376,303 of which the GLLEP contribution totalled £1,601,000. The Investment Board formally approved £1,609,005 of Single Local Growth Fund towards Phase 1a of the Gainsborough Growth Project, including associated GL LEP fees (£8,005).

3. THE PHASE 1A PROJECT VARIATION

- 3.1 The transport modelling work is completed and the LOTS scheme is well underway with the initial 4 refurbishments now finished.
- 3.2 **The town centre redevelopment element however is now subject to a £517,500 variation proposal for the grant allocation (reduced from and involves consideration of a replacement site for the cinema complex and allocation of LEP funding towards land acquisition costs rather than public realm improvements.**
- 3.3 The replacement site proposed is the Lindsey Centre. Land acquisition would be completed by July 2019 and firm milestones have been provided as part of due diligence from Savoy in respect of exchange and completion. WLDC will underwrite to acquire directly if Savoy have not completed by an agreed long-stop date and subject to committee approval in June.
- 3.4 Savoy are aiming to submit full planning proposals for the development in December 2019.



4. PHASE 1A VARIATION MILESTONES

- 4.1 The following milestones have been agreed for the delivery of this project:
- Terms to be agreed with the Savoy Cinema to ensure the acquisition of the Lindsey Centre is completed by September 2019.
 - In the event that the Savoy will not acquire the site at risk, WLDC to have completed the purchase of the site by September 2019.
 - A decision as to the purchasing party to be made by June 2019 following WLDC Cabinet.**

- iv. **Cabinet Approval to the revised programme for the acquisition of the Lindsey Centre to be secured by June 2019.**
- v. **Final Heads of Terms to be agreed with the Savoy by July 2019.**
- vi. A detailed development appraisal of the Savoy scheme to be completed by August 2019. This appraisal is to establish the minimum amount of public sector funding to be awarded as gap funding in order to facilitate delivery of the scheme.
- vii. Planning application to be submitted by 31st September 2019.
- viii. Planning approval to be secured by 31st December 2019.
- ix. Works commence on site in February 2020.
- x. Practical completion of the scheme by March 2021.

5. PHASE 1A VARIATION RISKS

5.1 Key risks identified through due diligence appraisal are as follows

Risk	Likelihood Low /Medium /High	Overall Impact Low /Medium /High	Mitigation	To be a condition of funding? Y/N
The Savoy refuse to acquire the site in advance of planning permission.	Medium	Medium	WLDC have confirmed that in the event the Savoy will not acquire the site in advance of planning permission being secured that the Council will acquire this by September 2019.	Yes – confirmation required pre-contract.
Council Cabinet refuse permission for WLDC to acquire the site.	Low	High	Assuming that GL LEP approval for SLGF to be utilised to acquire the Lindsey Centre, the risk exposure for WLDC is low as the Council will be in funds from GL LEP to acquire. If WLDC do not agree terms with the Savoy, they will have secured the site and will have the ability to pursue the alternative option of delivering a scheme for the Parkway Cinema. In the event that Cabinet do not approve the acquisition, WLDC will not draw down the funding and the variation will not proceed.	Confirmation that Cabinet Approval has been secured pre-contract.
Completed development appraisal cannot justify amount of funding required by the Savoy.	Medium	High	There are strict regulations on eligibility and award of gap funding for development projects and these will have to be complied with in order for the scheme to proceed. In the event that terms cannot be agreed with the Savoy, WLDC will have to	Yes – post-contract and potentially post-drawdown.

			revert to the option with Parkway.	
Planning permission for the scheme is not secured.	Low	High	In principal support by WLDC given that the scheme supports the masterplan	Yes – post-contract and post-drawdown of funding.
Programme for delivery is delayed.	Medium	Medium	The SLGF will be acquired at the outset of the project through funding acquisition of the Lindsey Centre. WLDC are not under the same time pressures to spend as for the SLGF programme and there is some flexibility therefore in this regard.	Yes – as part of ongoing monitoring.
Project costs increase.	Medium	Medium	The works will be subject to a tender process in accordance with public procurement regulations and the scheme likely to be let on a fixed price contract.	Yes – but only as part of ongoing monitoring.
Lack of take up of the restaurant units in the completed scheme.	Medium	High	There has already been considerable marketing undertaken for the retail/leisure scheme and interest identified including by restaurateurs.	Yes – a part of ongoing monitoring.

6. PHASE 1A COSTS AND MATCH FUNDING

6.1 Revised project costs are broken down as follows:

WLDC are seeking £1,101,000 to fund a number of separate projects forming part of Phase 1a of the Gainsborough Growth Programme

Gainsborough Transport Model	£271,000 for transport model	Indirect output of 4,435 dwellings by identifying transport bottlenecks and proposing solutions
Living Over the Shop - Pilot	£130,000 for capital works	4 flats
Living Over the Shop - Roll Out	£200,000 for capital works	8 units
Cinema land	£500,000 for site acquisition	Private Sector Investment Leverage £3.5 million Public Sector Investment Leverage £3.31 million Number of new jobs created – 25

Funding Summary (Phase 1a Savoy element only)					
	LEP Funding (a)	Public Match Funding (b) – please state	Private Match Funding (c) Please state	Totals (d)	Contribution Rates (if applicable) (a)/(d) x 100
Capital	£517,500	£2,591,351	£1,852,283	£4,961,134	10%
Revenue					
Totals	£517,500	£2,591,351	£1,852,283	£4,961,134	10%

7. PHASE 1A OUTPUTS AND OUTCOMES

7.1 Our currently contracted outputs and outcomes with WLDC are as follows:

- Attract £11.96m of public sector leverage
- Attract £811,012 of private sector leverage
- Create 115 new FTE jobs and safeguard
- Create 12 new homes
- Construct 2421sqm of new commercial floorspace
- Achieve £2.85m GVA uplift.

7.2 Revised outputs and outcomes should the variation request be approved would be:

- Attract £3.3m of public sector leverage
- Attract £3.5m of private sector leverage
- Create 12 new homes
- Construct 1511 sqm of new commercial floorspace
- 5 screen cinema
- 1 restaurant
- 2 retail units
- 25 jobs
- £1.3 million GVA added contribution to the local economy per year as a result of the development (plus £1.9m direct benefit during construction phase)

7.3 In terms of value for money the revised option is deemed to be good.

8. PHASE 2 PROJECT

8.1 Bowling Green Road

This project will fund the initial land remediation and preparation costs to create a serviced development platform for the delivery of a mixed tenure housing scheme at Bowling Green Road.

This is a strategic brownfield site allocated for housing development within the Central Lincolnshire Local Plan and promoted as part of Gainsborough's Housing Zone Strategy and now as part of its wider Growth Programme. The total development site extends to 8.3 acres; of which West Lindsey District Council (WLDC) own 6.9 acres, with Acis owning the residual 1.4 acre portion. Both partners have been working closely to secure a delivery solution for this site.

Without public sector intervention at the front end, the scheme will be non-viable and will not therefore come forward for development.

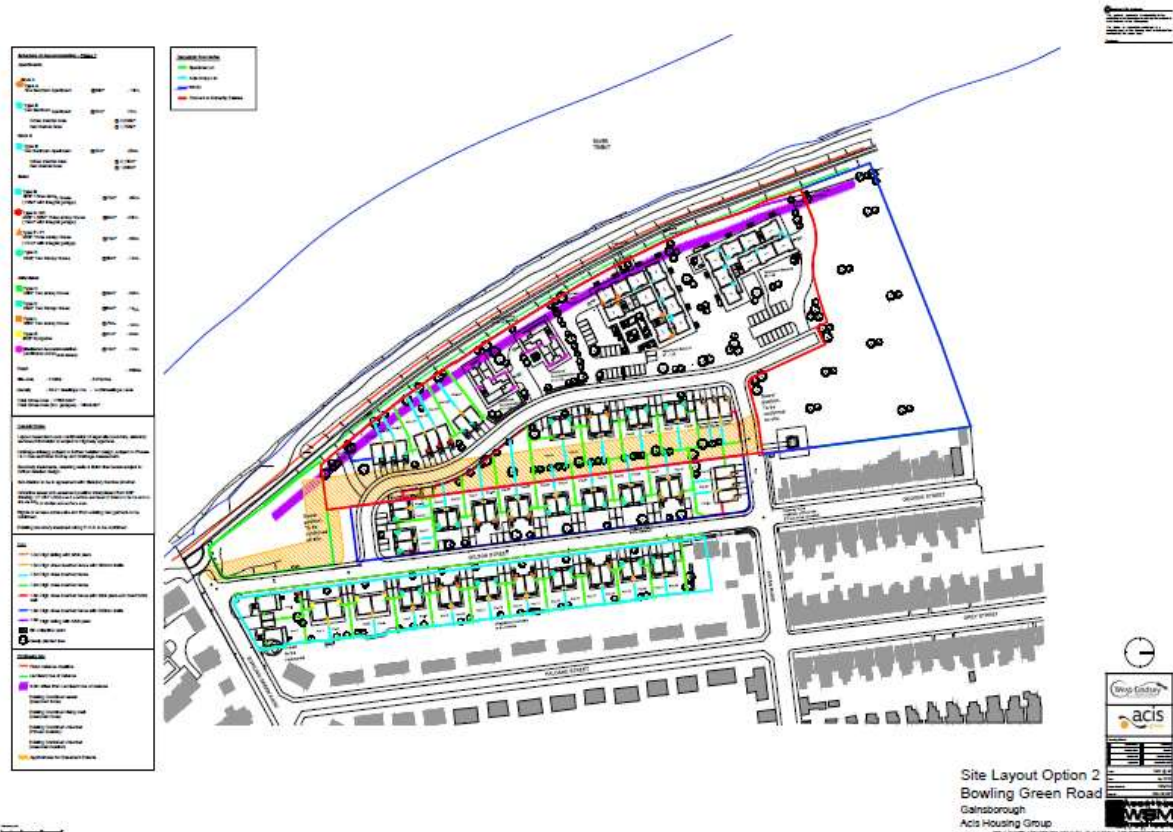
8.2 This Phase of works will be delivered as follows:

- WLDC to sell the site to Acis
- Acis to deliver the serviced platform, utilising LEP funds (administered via a back to back funding agreement between WLDC and Acis) and private sector contribution, subject to conditions to ensure onward delivery of housing units

Once serviced, the site will be developed in phases, delivering a total of 130 dwellings with indicative mix as follows:

- 12 supported housing units
- 36 affordable homes (affordable rent and home ownership)
- 56 over 55 apartments and older persons accommodation
- 26 minimum open market homes





8.3 Corringham Road

This project will provide a traffic signalled controlled junction at the B1433/A631 Corringham Road/ Thorndike Way junction which is one of the key routes into Gainsborough. Data over the past five years show the junction is currently one of the most dangerous in the County and the planned Northern Sustainable Urban Extension (SUE) (Phase 1a & 1b for 750 dwellings - subject of a current outline planning application; part of a wider allocation of 2,500 dwellings) will place extra pressure on the junction.

8.4 The project will therefore forward fund a key piece of road infrastructure which will unlock and accelerate the delivery of the Northern SUE, one of the largest housing sites in Gainsborough.

8.5 The traffic signalled controlled junction will be delivered by the County Council on land under the control of the Highways Authority (County Council). It will provide the capacity required to accommodate the expected growth in the Central Lincolnshire Local Plan and also reduce the highway safety concerns of the current junction arrangement.

9. PHASE 2 MILESTONES

9.1 The following milestones have been agreed for the delivery of this phase of the project:

Bowling Green Road

Flood risk solution agreed with EA	Complete
------------------------------------	----------

Master plan development	Complete
Detailed design	August 2019
Planning consultation	Sept 2019
Planning submission approved	Dec 2019
Site remediation design complete	Sept 2019
Specification and tender documentation agreed and issued	Oct 2019
Tender/ negotiation period with contractor	Nov 2019
Site mobilisation	Dec 2019
Contract period	Jan 2020
Contract completion	Dec 2020
Financial closure	Jan 2021

Corringham Road

Detailed Design completion	April 2020
Due Diligence	May/ June 2020
Procurement	May/ June 2020
Mobilisation	July/ August 2020
Construction completion	November 2020

PHASE 2 RISKS

10.1 Key risks identified through due diligence appraisal are as follows:

Corringham Road

Risk	Likelihood Low /Medium /High	Overall Impact Low /Medium /High	Mitigation	To be a condition of funding? Y/N
Securing WLDC approval	Low	High	Committee approval already obtained for Growth Programme;	Yes – Pre-Contract
Need for land acquisition	Low	High	Land charge searches to be undertaken. However, scheme to be designed within existing highway boundary.	Yes – Pre-drawdown
Statutory Diversions	Medium	Medium	Initial statutory undertaker search suggests limited impact if any. Early engagement with utilities as scheme progresses.	No
Access to Network	Low	Medium	Close liaison with LCC Streetworks team and early book of road space.	No

<u>Bowling Green Lane</u>				
Risk	Likelihood Low /Medium /High	Overall Impact Low /Medium /High	Mitigation	To be a condition of funding? Y/N
Securing planning permission	Low	High	Allocated site; proposals in accordance with allocation; flood risk mitigation strategy approved by EA.	Yes – Pre-drawdown
Securing WLDC approval	Low	High	Committee approval already obtained for Growth Programme; ongoing reports will be prepared to keep Members apprised of developments.	Yes – Pre-drawdown
Securing cost effective tender	Low	High	Tender climate is potentially difficult currently, due to brexit and labour costs .There are number of procurement options to ensure this risk is mitigated.	Yes – Pre-drawdown
Completion of contract on time	Low	Medium	Progress against delivery will be monitored monthly and agreed contract period is reasonable for the scope of works required.	Yes – part of on-going monitoring

10. PHASE 2 COSTS AND MATCH FUNDING

1.1 The total amount of funding sought by WLDC for Phase 1b is as follows:

Corringham Road

1.2 Total scheme costs for Corringham Road are £1,512,500. Public match funding from LCC has been secured at £500,000 and private match funding from the developer of the SUE provisionally secured up to £500,000. The balance of funding at £512,500 plus fees of £2,563 towards GLLEP legal, due diligence and administration fees. **£515,063** is therefore being sought from GL LEP for the cost of undertaking the works.

Bowling Green Lane

1.3 Total costs for the site preparation and remediation works are £3,219,075 of which match funding of £945,765 is being provided by ACIS, which has been approved subject to GL LEP funding being secured.

1.4 From the GL LEP SLGF, £100,000 is being sought to enable WLDC to acquire land required for the Riverside Walk and associated professional and management fees.

The Riverside Walkway is the key place making element of this scheme, to provide for a direct pedestrian link for the town centre.

1.5 The GL LEP management fee of 0.5% has also been accounted for at £11,310.

1.6 Total GL LEP funding for this scheme is therefore **£2,284, 620**.

Total GL LEP funding sought for both projects within Phase 1b is £2,799,683

11. PHASE 2 OUTPUTS AND OUTCOMES

12.1

- Attract 1,000,000 of public sector leverage
- Attract 1,445,000 of private sector leverage
- Create 130 new homes

Outputs and outcomes for Phase 2 are deemed to be good value for money:

12. CONDITIONS

13.1 Of the original £4m provisional allocation towards this project, approval of £3,904,310, plus GL LEP appraisal/contracting fees of £19,523 (0.5%) towards Phases 1 and 2 of the Gainsborough Growth Project is recommended from the Single Local Growth Fund subject to the following conditions being incorporated within the revised Phase 1a funding agreement and new Phase 2 funding agreement:

Phase 1A conditions

- i. It is recommended that the variation agreement is not executed until WLDC have confirmed they have Cabinet approval by December 2019.
- ii. It is recommended that a copy of the final approved appraisal is provided to GL LEP prior to any drawdown of funding for the acquisition.
- iii. It is recommended that State Aid Advice be provided prior to any variation agreement being executed.
- iv. It is recommended that it is a condition of investment that the Red Book Valuation is provided prior to execution of any variation agreement.
- v. As WLDC in accordance with the Heads of Terms to be put in place with the Savoy, will be undertaking the development appraisal of the Savoy scheme, it is recommended a copy of this is required for GL LEP due diligence purposes.
- vi. It is recommended that State Aid Advice is provided prior to the variation agreement being put in place between the parties.
- vii. It is recommended that a copy of the gap funding agreement that is put in place with the Savoy is provided to GL LEP in order to demonstrate that procurement regulations have been satisfied.

Phase 1b

- Confirmation that Cabinet approval has been secured – pre-contract condition.

- Confirmation that no additional land is required to be acquired to enable delivery of the projects – pre-contract condition.
- WLDC ensure on-going liaison with GL LEP to report any material changes to the schemes and/or associated costings – pre-drawdown condition
- A copy of the State Aid Advice from DWF be provided as a pre-contract condition – pre-contract condition.
- It is recommended that detailed programmes be provided by WLDC at the time these are crystallised for both projects.
- A copy of the lowest tender and report on tender to be provided for each project when available. This is of particular relevance to the Bowling Green Lane provisional sums – pre-drawdown condition.

13. RECOMMENDATION

That the Investment Board approves the following

- Phase 1a amendment of £1,101,000 of Single Local Growth Fund towards delivery of the Gainsborough Growth Project and supporting GLLEP fees and returns the remainder of £76,167 should therefore be returned to the Growth Deal programme for future reallocation within the pipeline.
- In order to give confidence to the scheme at this stage, the Investment board approves to contracting stage the variation to phase 1 a, however, phase 1a should be deemed a red flagged project which has monthly monitoring, and a progress report on milestones be brought to the July Investment board. The contract would not be entered into until the project has developed further and the pre-contract conditions met.
- That the board approved phase 2b to the value of £2,799,683 subject to the pre-contract conditions.

Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Single Local Growth Fund

For

**A Variation to the Gainsborough Growth Programme
Phase 1a
Gainsborough**

Paper 6.1

13th May 2019

- DRAFT -

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APPENDICES

I	BUSINESS CASE AND KEY SUPPORTING DOCUMENTATION
II	HEADS OF TERMS

1.0 PROJECT SUMMARY AND PLANNING STATUS

1.1 An application for Single Local Growth Fund (SLGF), submitted by West Lindsey District Council (WLDC) seeking £1,601,000 to fund a number of separate projects forming part of Phase 1a of the Gainsborough Growth Programme in August 2018. The scheme was considered and approved by the GL LEP Board in October 2018. Following Board approval, contracts were entered into with WLDC for delivery of the Phase 1a programme.

1.2 The Phase 1a project, as approved in October 2018, comprised the following elements:

- Acquisition of the former Lidl Supermarket funded solely by WLDC, with WLDC continuing to dedicate land in their ownership known as Whitton Gardens and former Guildhall. All this land to be vested into the development scheme in central Gainsborough along the river frontage. This development is subject to a Development Agreement with Muse for the delivery of a 4 screen cinema, 3 restaurants, non-food retail units and enhanced public realm.

WLDC had already acquired the former Lidl supermarket building which is vacant and the use of this building is yet to be determined, pending Muse finalising their proposals for the town centre site. It may be therefore that the Lidl building is demolished and the entire site dedicated to public car parking use to service the new development and would remain in the ownership of and be operated by the Council. This car park would not only service the new development to be delivered by Muse, but also would provide a car parking facility to replace those which have been lost through the proposed re-development of the town centre.

The Development Agreement with Muse and the Council is in place and Muse had undertaken some tentative marketing of the site in order to secure potential leisure operators. Interest was expressed from a number of cinema operators; however was not progressed subject to all funding being secured and the scheme being committed to delivery.

SLGF funding was sought to implement the Public Open Space Scheme known as Whitton Gardens and the former Guildhall. The public space was to create essential public realm, enabling connectivity within the town centre and an appropriate visitor destination and environment for visitors and residents of the town. The cost of the Public Open Space is estimated to be £1,001,480.

SLGF funding of £1 million is therefore proposed to be invested from SLGF into this element of the regeneration Due Diligence Report.

- Gainsborough Transport Model – This commission has been completed and remains unchanged from the previous appraisal.
- Living Over The Shops initiative – This element of the scheme also remains unchanged and is not considered further within this report.

1.3 Since approval of the scheme by GL LEP, WLDC, working with Muse have implemented the marketing of the scheme by seeking to secure occupiers, specifically a cinema and restaurants to the scheme.

- 1.4 The outcome of the marketing strategy identified a significant downturn in market activity within the restaurant sector, particularly with national operators. Similarly, the larger cinema operators because of this downturn are now also concentrating on upgrading existing stock, rather than investing in new schemes.
- 1.5 The cause of this has been cited for a number of reasons, being uncertainty due to Brexit, the introduction of the National Living Wage, rent and business rate increases. Furthermore, a number of restaurant operators have fallen into administration during 2018 and those that have remained in the market are genuinely commanding greater incentives and lower rents.
- 1.6 Muse working alongside the Council have tested a number of scenarios to see if the previous head lease arrangements could be deliverable. The outcome of this testing identified a minimum of a £3 million subsidy from the Council to bridge a cost/value deficit and for WLDC to enter into a 40 year head- lease arrangement.
- 1.7 WLDC do not have the financial capacity to be able to provide the required subsidy to the scheme along with the financial liability that the 40 year headlease generates.
- 1.8 The original proposal is therefore no longer viable on the terms originally proposed due to the down turn in market conditions.
- 1.9 Positively, feedback from Muse is that the fundamental aspects of the leisure scheme in Gainsborough remain attractive, given the town centre location, lack of competing supply, good levels of car parking and the wider regeneration scheme proposed.
- 1.10 The marketing had also established that there remained significant interest from two cinema operators being Savoy and Parkway.
- 1.11 Both operators were interested in a cinema and restaurant scheme, albeit on a smaller scale than previously. The reduction in size of scheme led to a review of the town centre masterplan and a more suitable location, albeit still within the town centre, being identified.
- 1.12 The alternative site is the Lindsey Centre, which is a 3,716 sq.m (40,000 sq.ft) shopping centre at Market Place in the heart of the old town has limited prospect of re-occupation given its current condition and being significantly outdated. The centre has been vacant since 2018.
- 1.13 The Council, Muse and the cinema operator are therefore proposing a cinema and smaller A1/A3 units in this location as this fits within the masterplan serving the town and also assisting in preserving the market place at the heart of the primary retail area.
- 1.14 The centre is in the ownership of the Co-op and terms for the acquisition of the Lindsey Centre have been negotiated by WLDC and are primarily agreed.
- 1.15 The two options from the Savoy and Parkway are different in terms of delivery structure and are summarised in the table below:

CINEMA OPERATOR		
STRUCTURE	SAVOY	PARKWAY
Scheme	975 sq.m cinema 464 sq.m restaurants 92 sq.m lease back to Co-op	1,393 sq.m cinema 557 sq.m restaurants 92 sq.m lease back to Co-op

Delivery Model	Savoy acquire site, develop out scheme, operate and hold.	WLDC acquire site and develop out via Muse. Lease to Parkway and the Co-op, hold and manage completed scheme.
Cost and Viability	Total cost £5 million Total value £2 million Deficit £3 million	Total cost £7.5 million Total value £2.7 million Deficit £4.8 million
Funding Strategy	Savoy to receive £3 million gap funding (grant). £0.5 million GL LEP for site acquisition. £2.5 million WLDC grant.	WLDC to borrow £7 million with GL LEP to provide £0.5 million for land acquisition.

- 1.16 Analysis of the options has identified that the sale of land and development of the scheme by the Savoy is the preferred option. Although this is a smaller scheme, it is significantly less resource intensive on the part of the Council and carries much less risk than the option proposed by Parkway. It is the revised proposal for the Savoy to receive funding from GL LEP along with gap funding from WLDC to build out the scheme as described.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 The total amount of funding sought by the Council for Phase 1a is summarised as follows:

- £0.5 million for the acquisition of the Lindsey Centre from the Co-op to be sold to the Savoy Cinema for the cinema scheme as described within section 1 of this report.
- Gainsborough Transport Model £271,000 – Unchanged.
- Living Over The Shops pilot project £130,000 – Unchanged.
- Living Over The Shop roll-out £200,000 – Unchanged.

- 2.2 This equates to a total of GL LEP SLGF funding of £1,101,000. It is noted that the delivery of the strategic public realm works and balance of GL LEP funding of £0.5 million have now been deferred to Phase 2 of the Gainsborough Growth Scheme, and to be delivered at a time when Phase 2 is ready to come forward.

- 2.3 In terms of match funding, this is summarised as follows:

- Lidl acquisition – West Lindsey District Council (WLDC) have expended £811,012 in acquiring this building in December 2017.
- Public sector match funding from the Council in addition to the Lidl building is £2.5 million from capital reserves as gap funding to the Savoy for delivery of the scheme.
- Total private sector match funding for the cinema from the Savoy is £2 million.
- Gainsborough Transport Model – no match funding as GL LEP to fund in its entirety.

- Living Over The Shop pilot- Dransfield Properties £281,477 – no match funding from the Council invested in this scheme.
- Living Over The Shop roll-out £200,000 from Dransfield Properties with no investment from the Council in this element of the scheme.
- The match funding from WLDC has already been approved.
- The funding required to implement the Living Over The Shop scheme from Dransfield Properties has also been secured by way of the Joint Venture Agreement with the Council that is in place.

3.0 KEY ISSUES

3.1 A number of key issues were identified upon submission of the required variation to the scheme, which were:

- i. The structure for delivery of the scheme as explained within the Business Case was not clear and much information was missing, particularly in terms of the nature of the agreement under negotiation with Savoy, along with identification of the party intended to acquire the Lindsey Centre.

Heads of Terms were provided by WLDC (contained within the appendices) which identify that the Savoy will be solely responsible for design of the scheme and for securing planning permission.

The Heads of Terms also identified that the Savoy would be acquiring the Lindsey Centre on a subject to planning basis and therefore exchange of contracts was not anticipated until September 2019 with practical completion for the acquisition of the site being December 2019 earliest.

Whilst the Heads of Terms were generally considered to be robust between the Council and WLDC, timescales for undertaking the acquisition were uncertain and could potentially extend over a protracted timescale. WLDC were therefore informed by GL LEP that timescales for the acquisition of the site needed to be fast tracked if they were to continue to pursue SLGF for acquisition purposes.

WLDC have now referred back to confirm that internally the Council have approved acquisition to be completed for the site by September 2019 either by WLDC or Savoy; however Cabinet Approval is required in this regard and will be sought in June 2019.

It is hereby recommended that the variation agreement is not executed until WLDC have confirmed they have Cabinet by December 2019.

- ii. Development Appraisal – At this time, because the scheme is at a concept stage with Savoy to commence with the design, prepare a full scheme specification and estimate of costs, detailed information is not yet available. The detailed gap funding appraisal of the scheme cannot be completed at this time. It is recognised that WLDC will be undertaking this appraisal and it is therefore recommended that a copy of the final approved appraisal is provided to GL LEP prior to any drawdown of funding for the acquisition. The reason for this to ensure that a compliant State Aid Appraisal has been produced and that the scheme remains viable and deliverable with the GL LEP and WLDC funding.

- iii. State Aid Advice – This has not yet been supplied by WLDC and will be critical in order to demonstrate that the amount of funding proposed to be invested in totality by the public sector into this scheme and the investment programme proposed are wholly State Aid compliant and the scheme is deliverable on this basis.

It is therefore recommended that State Aid Advice be provided prior to any variation agreement being executed.

- iv. A Red Book Report and Valuation is required to be provided for the acquisition of the Lindsey Centre. WLDC confirm that this is in hand and the report will be provided shortly.

It is hereby recommended that it is a condition of investment that the Red Book Valuation is provided prior to execution of any variation agreement.

4.0 STRATEGIC FIT

- 4.1 The project has high strategic fit through a number of interlinked strategies and associated programme initiatives which are briefly summarised as follows:

- i. The award of Growth Point status for Gainsborough around 10 years ago, sought to stimulate new housing delivery in the town. Despite this designation, and even in context with the success of some developments in Gainsborough such as Marshall's Yard Retail scheme, the pace of change and particularly housing development within Gainsborough has been slow.
- ii. West Lindsey District Council Regeneration, Housing and Economic Growth Strategies all identify Gainsborough as one of the principle towns for major housing growth seeking to implement the following:
 - 4,350 new homes in Gainsborough by 2036.
 - 800 new homes on brownfield land by 2026.
 - A regenerated viable and legible town centre.
 - Improved transport infrastructure and connectivity.

Gainsborough Regeneration Strategy – implementation of this strategy is predicated on housing led economic growth, supported by Growth Point and Housing Zone designations.

- iii. Thinking Place Strategy September 2015 was a Place Making Study commissioned by the Council which identified the town strengths and potential to be a strong location, capable of attracting a critical mass of new population. The Thinking Place study also highlighted the following issues requiring to be addressed in Gainsborough:
 - Poor state of the urban environment.
 - Predominance of derelict brownfield land.
 - Lack of connection to the riverside.
 - Under occupied and underutilised Town Centre.
 - Lack of strong identity.
 - Other pockets of social deprivation.
 - Market stigma.

iv. The analysis of the Growth Programme as proposed and the various strategies that underpin this have also been assessed to have strong fit with GL LEP's Strategic Economic Plan (SEP) as follows:

- The ability to drive growth in the strongest sectors – in relation to the visitor economy, this project will focus on developing the leisure and cultural offer within Gainsborough through implementation of the scheme with Muse.
- Promoting Greater Lincolnshire as a place for sustainable growth – this project will strengthen Gainsborough's reputation as an attractive and vibrant place to live and work and through restoration of the streetscape, creation of new high quality leisure and commercial floor space within the Town Centre will ensure the town's capable of sustaining these activities along with new residential development.
- Recognising the need for new housing and support balanced housing provision and economic development. Housing led growth underpins both the SEP and West Lindsey's Economic Growth Strategy with the rationale that attracting more people to the area will create demand for more services and goods, which will in turn attract more businesses and organisations to supply these needs. This should result in improving employment opportunities and increasing productivity.
- In order to sustain new housing and attract new residents to Gainsborough, it is important to provide necessary facilities and amenities which are for Gainsborough to be delivered through the development proposals being brought forward by the Council in partnership with Muse.

4.2 This project is therefore deemed to have strong strategic fit in accordance with GL LEP and the Council's strategic objectives.

5.0 MARKET ASSESSMENT

5.1 The rationale for the variation of this scheme has been explained within Section 1 of this report and establishes the changing market conditions that have been evidenced through the marketing of this scheme undertaken by Muse and their respective agents.

5.2 It is not therefore intended to repeat the issues relating to market conditions as these have already been covered within this report.

6.0 DEVELOPMENT APPRAISAL

6.1 An appraisal of the proposed scheme variation for Option 1 for delivery of the scheme by the Savoy Cinema utilising gap funding has not been subject to any detailed appraisal due to detailed scheme information not yet being available.

6.2 The development appraisal is recognised as being one of the crucial components of a due diligence process, particularly where grant funding is proposed to be awarded to a private sector delivery partner so as to ensure that the proposals are in accordance with programme regulations and are State Aid compliant.

- 6.3 As WLDC in accordance with the Heads of Terms to be put in place with the Savoy, will be undertaking the development appraisal of the Savoy scheme, it is recommended as referred earlier that a copy of this is required for GL LEP due diligence purposes.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 There is no change to Transport Study and LOTS. This programme relates to acquisition of Lindsey Centre and Savoy scheme.
- 7.2 The initial programme for acquisition of the Lindsey Centre was not acceptable to GL LEP and the revised timescale is for the Lindsey Centre to be acquired by September 2019 in advance of planning permission being secured. WLDC are seeking to re-negotiate terms with the Savoy for them to use GL LEP funds to acquire the Lindsey Centre in advance of planning permission being secured. If the Savoy will not agree to this, WLDC will acquire the Lindsey Centre by September 2019 and hold this in readiness for sale on to the Savoy for implementation of the scheme.
- 7.3 This is required to be subject to Cabinet Approval in June 2019. The programme for securing planning permission is anticipated to be achieved by the end of this calendar year with work starting on site in February 2020 and completing by 2021.
- 7.4 This programme is considered to be ambitious at this time and is recognised as being somewhat indicative.
- 7.5 As a condition of funding therefore, a detailed programme delivery of the scheme once revised terms have been agreed with the Savoy are to be provided WLDC.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 West Lindsey District Council have procured State Aid advice from DWF Surveyors and internal solicitors at the Council in respect of the various elements of the scheme. Additional advice via email has also been provided by the LCC Legal Team on behalf of GL LEP in relation to the Living Over The Shop scheme.
- 8.2 This information is summarised as follows:
- Acquisition of the Lindsey Centre – use of public resource by the private sector in order to undertake acquisitions is a State Aid compliant activity, provided that the acquisition is undertaken on market terms. As a Red Book Report and Valuation is to be provided to support the acquisition, there should not be any issues raised in this regard in terms of State Aid. Any subsequent disposal of the site will also be required to be on market terms.
 - In terms of the future development by the Savoy, it is noted that gap funding of £2.5 million from WLDC, plus £0.5 million from GL LEP is proposed. State Aid Advice is yet to be provided by WLDC, which will need to verify that gap funding is the appropriate investment vehicle for public funds at a total value of £3 million, along with identification of the relevant programme and/or Block Exemption which will permit investment of public resources on this basis and at this level.
- 8.3 It is recommended that State Aid Advice is provided prior to the variation agreement being put in place between the parties.

9.0 PROCUREMENT

- 9.1 The procurement arrangements for the delivery of the scheme by Savoy will be on the basis that WLDC transfer public sector obligations relating to procurement processes into the funding agreement that will eventually be put in place for grant funding to be provided to the Savoy.
- 9.2 It is hereby recommended that a copy of the gap funding agreement that is put in place with the Savoy is provided to GL LEP in order to demonstrate that procurement regulations have been satisfied.

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10.0 OUTPUTS AND VALUE FOR MONEY

10.1 The outputs for the varied Phase 1a project are shown in the table below:

	2016/17	2017/18	2018/19	2019/20	2020/21	Future Years	Total
i) Core Outputs (Strategic Economic Plan)							
Public Investment Leveraged (£)					811,012	£2,500,000	£3,311,012
Private Sector Investment Leveraged (£)		£595,722	£281,477	£200,000	£2,000,000		£3,577,199
Number of new Jobs Created (gross)					25		25
Number of Jobs Safeguarded (gross)							
Number of new housing units completed			6	6			12
ii) Local Strategic Outputs							
Commercial floorspace refurbished/constructed and occupied (sq.m)					1511		1511
Number of businesses assisted to improve performance							
Number of learners supported							
Number of new businesses created							
GVA Uplift						£1.3 million	£1.3 million
iii) Others (please list) *							
Transport Model			Baseline Model				

10.2 The value for money assessment for this project is as follows:

- Private Sector Investment Leverage at 1:3.5 – this is very good value for money given that standard industry benchmarks for private sector leverage seeks a minimum of 1:2 in order to be considered value for money.
- Public Sector Investment Leverage at 1:3.3 – this is just above the standard benchmark at 1:2; and is good value for money.
- Number of new jobs created at 25 - equates to a cost of £40,040 per job. The value for money benchmark of circa £15,000 for jobs created means this is poor value for money.

Jobs created are not the primary outputs being delivered by the scheme which is to provide leisure facilities that are lacking within the town centre. Leisure activities are not typically high job creating uses. As a package of outputs and in terms of the gap in market conditions and regeneration impacts that the scheme is intended to deliver, overall this is considered to be good value for money.

- Number of housing units completed - 12 – equates to £133,417 per dwelling, which is significantly in excess of Homes England benchmarks of around £25,000 per unit. The delivery of housing units is not however a primary output being delivered by this phase of the project and has a small element of overall outputs. The Living Over The Shops scheme is a pilot project and has thus far demonstrated that the initiative has the potential to be strategically important in terms of diversifying housing production in Gainsborough, and assisting in delivering sustainable uses in the town funding. SLGF investment is therefore considered to be justifiable on this basis.
- GVA uplift – this has been estimated to be in the region of £1.3 million which equates to the additional expenditure and supply chain activity generated during the construction period. The GVA uplift is shown within the Business Case to be delivered in 2021; however, it is likely that this will not be evidenced until later years. It is also noted that the GVA uplift excludes expenditure in the completed leisure facility post completion and this therefore should mean that overall GVA uplift is higher than that documented within the Business Case.
- The other outputs relating to completion of the transport model and public realm improvement are not subject to a value for money assessment but are in addition to the core and local outputs delivered by the scheme.

10.3 The assessment of the revised scheme and outputs generated are considered to be good value for money.

11.0 MILESTONES

- 11.1 Detailed milestones for the scheme are to be provided given the relatively early stage of the advancement of proposals with the Savoy Cinema.
- 11.2 For the purpose of this due diligence, indicative milestones have been incorporated – but this have not been provided by WLDC and will therefore need to be clarified as a condition of SLGF funding.

11.3 Milestones are as follows:

- i. Terms to be agreed with the Savoy Cinema to ensure the acquisition of the Lindsey Centre is completed by September 2019.
- ii. In the event that the Savoy will not acquire the site at risk, WLDC to have completed the purchase of the site by September 2019.
- iii. A decision as to the purchasing party to be made by June 2019 following WLDC Cabinet.
- iv. Cabinet Approval to the revised programme for the acquisition of the Lindsey Centre to be secured by June 2019.
- v. Final Heads of Terms to be agreed with the Savoy by July 2019.
- vi. A detailed development appraisal of the Savoy scheme to be completed by August 2019. This appraisal is to establish the minimum amount of public sector funding to be awarded as gap funding in order to facilitate delivery of the scheme.
- vii. Planning application to be submitted by 31st September 2019.
- viii. Planning approval to be secured by 31st December 2019.
- ix. Works commence on site in February 2020.
- x. Practical completion of the scheme by March 2021.

11.4 Whilst milestones are recognised to be relatively tight, it is also recognised that timescales for delivery of this scheme completing by 2021 is also ambitious with limited scope for any slippage and could potentially extent beyond March 2021.

12.0 RISK ASSESSMENT

12.1 The risks associated with this project are identified as follows:

Risk	Likelihood Low /Medium /High	Overall Impact Low /Medium /High	Mitigation	To be a condition of funding? Y/N
The Savoy refuse to acquire the site in advance of planning permission.	Medium	Medium	WLDC have confirmed that in the event the Savoy will not acquire the site in advance of planning permission being secured that the Council will acquire this by September 2019.	Yes – confirmation required pre-contract.
Council Cabinet refuse permission for WLDC to	Low	High	Assuming that GL LEP approval for SLGF to be utilised to acquire the Lindsey Centre, the risk exposure for WLDC is low as the Council will be in funds from GL	Confirmation that Cabinet Approval has been secured pre-contract.

acquire the site.			LEP to acquire. If WLDC do not agree terms with the Savoy, they will have secured the site and will have the ability to pursue the alternative option of delivering a scheme for the Parkway Cinema. In the event that Cabinet do not approve the acquisition, WLDC will not draw down the funding and the variation will not proceed.	
Completed development appraisal cannot justify amount of funding required by the Savoy.	Medium	High	There are strict regulations on eligibility and award of gap funding for development projects and these will have to be complied with in order for the scheme to proceed. In the event that terms cannot be agreed with the Savoy, WLDC will have to revert to the option with Parkway.	Yes – post-contract and potentially post-drawdown.
Planning permission for the scheme is not secured.	Low	High	In principal support by WLDC given that the scheme supports the masterplan principals and assist in unlocking this key regeneration site. In addition pre-application discussions will be held with the planning authority in order to enhance prospects for securing permission as quickly as possible.	Yes – post-contract and post-drawdown of funding.
Programme for delivery is delayed.	Medium	Medium	The SLGF will be acquired at the outset of the project through funding acquisition of the Lindsey Centre. WLDC are not under the same time pressures to spend as for the SLGF programme and there is some flexibility therefore in this regard. An updated programme will be required to be provided as the time the scheme has progressed to a more advanced stage.	Yes – as part of ongoing monitoring.
Project costs increase.	Medium	Medium	The works will be subject to a tender process in accordance with public procurement regulations and the scheme likely to be let on a fixed price contract. In the advent of any unforeseen items arising, there will be contingency provisions and the ability to value engineer the scheme through the delivery stage in order to mitigate any cost increases.	Yes – but only as part of ongoing monitoring.

Lack of take up of the restaurant units in the completed scheme.	Medium	High	There has already been considerable marketing undertaken for the retail/leisure scheme and interest identified including by restaurateurs. Given that the cinema and also the Co-op will potentially be anchor tenants, and given the location of the site within Gainsborough, take up of the reduced restaurant element of the scheme is likely to be met with good levels of demand. Extensive marketing of the scheme will be undertaken as soon as planning permission has been secured and the scheme is progressing towards start on site.	Yes – a part of ongoing monitoring.
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13.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

13.1 Recommended conditions within the funding agreement are as follows:

- i. It is recommended that the variation agreement is not executed until WLDC have confirmed they have Cabinet approval by December 2019.
- ii. It is recommended that a copy of the final approved appraisal is provided to GL LEP prior to any drawdown of funding for the acquisition.
- iii. It is recommended that State Aid Advice be provided prior to any variation agreement being executed.
- iv. It is recommended that it is a condition of investment that the Red Book Valuation is provided prior to execution of any variation agreement.
- v. As WLDC in accordance with the Heads of Terms to be put in place with the Savoy, will be undertaking the development appraisal of the Savoy scheme, it is recommended a copy of this is required for GL LEP due diligence purposes.
- vi. It is recommended that State Aid Advice is provided prior to the variation agreement being put in place between the parties.
- vii. It is recommended that a copy of the gap funding agreement that is put in place with the Savoy is provided to GL LEP in order to demonstrate that procurement regulations have been satisfied.

14.0 CONCLUSIONS

14.1 The regeneration of Gainsborough has been subject to a number of strategies seeking to target sustainable growth across key sectors over many years. Despite the success of a number of projects, including Marshalls Yard, the comprehensive and much need regeneration of Gainsborough has failed to materialise comprehensively across the town.

- 14.2 The regeneration of Gainsborough appeared to be progressing with the appointment of Muse as delivery partner for the redevelopment of the town centre. However, the recent challenging market conditions, particularly within the leisure sector, and ongoing uncertainty with Brexit have resulted in the previous proposals no longer being deliverable on the grounds of viability.
- 14.3 Notwithstanding this and given Gainsborough's attractive location and gap in market provision, the delivery of the cinema and associated retail/leisure uses has potentially been secured through interest by two separate cinema operators, each proposing a new facility on differing terms.
- 14.4 The preferred option is for the Savoy to acquire the necessary land, develop out, operate and hold the completed scheme utilising public sector funding from GL LEP and WLDC.
- 14.5 Whilst it is noted that terms are to be formally agreed and that there is much feasibility yet to be completed, this project may be realisable and deliverable in the short term subject to the necessary grant funding being provided to the Savoy.
- 14.6 The recommendations are therefore to approve the variation to the scheme, subject to provision of more detailed information and the conditions detailed within this due diligence being fully satisfied.

15.0 RECOMMENDATIONS

- 15.1 It is therefore recommended that the variation to use of previously approved SLGF of £1,101,000 be approved which includes the acquisition of the Lindsey Centre at £500,000. The recommendation is subject to the conditions detailed in Section 11 above being addressed.



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Date: 13th May 2019

Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Single Local Growth Fund

For

**Gainsborough Growth Programme Phase 1b
Gainsborough**

Paper 6.2

15th May 2019

- DRAFT -

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APPENDICES

I	BUSINESS CASE AND KEY SUPPORTING DOCUMENTATION
II	RLB COST APPRAISAL

1.0 PROJECT SUMMARY AND PLANNING STATUS

- 1.1 An application for Single Local Growth Fund (SLGF) has been submitted by West Lindsey District Council (WLDC) seeking £2,785,810 to fund two separate projects forming part of Phase 1b of the Gainsborough Growth Programme.
- 1.2 The Gainsborough Growth Programme comprises Phase 1a, 1b and 2 and the funding sought and subject to this Due Diligence is for Phase 1b only. Phase 1a has been approved by the GL LEP and contracted; however, is subject to a request for a variation to the scheme and is pending approval. The variation and approval of Phase 1a does not impact on proposals for delivery of Phase 1b.

- 1.3 Details of the projects are as follows:

Corringham Road

- 1.4 This project is to provide a traffic signalled controlled junction at the B1433/A631 Corringham Road/Thorndike Way Junction, which is one of five primary routes into Gainsborough. Data over the past five years evidences the junction to be one of the most dangerous in the county. An upgrade to the junction is necessary to address current safety, congestion and capacity issues.
- 1.5 An outline planning application has been submitted for the first phase of the northern Sustainable Urban Extension (SUE), comprising 750 dwellings which is part of a wider allocation of 2,500 dwellings. This development will place significant additional pressure on this junction and despite the developer contributing £500,000 towards the cost of the works; this is insufficient to meet the full costs of the junction works.
- 1.6 The County Council has therefore identified that this is a priority junction for improvement works necessary to reduce an accident hot spot, deal with congestion and capacity and accommodate additional growth.
- 1.7 Lincolnshire County Council (LCC) will be responsible for designing the junction, tendering the works through one of its Frameworks and implementing the scheme.
- 1.8 As Planning Authority, WLDC will be responsible for negotiating any Section 106 agreement with the developer of the SUE and securing maximum contributions in this regard.

Bowling Green Lane

- 1.9 The subject land at Bowling Green Lane is a strategic brownfield site allocated for housing development within the Local Plan and has been promoted as part of Gainsborough's Housing Zone Strategy and latterly as part of the Wider Growth Programme.
- 1.10 The site extends to 3.36 hectares (8.3 acres), of which WLDC own 2.79 hectares and ACIS own the remaining 0.57 hectares (1.4 acres). ACIS are a registered social housing provider, not for profit organisation and registered charity
- 1.11 The subject site suffers with abnormal ground conditions which are required to be addressed prior to the scheme being able to be brought forward for housing delivery. The site requires to be remediated to provide development plateaus and meet the Environment Agency's flood requirements.

- 1.12 WLDC and ACIS have been working in partnership in order to identify a comprehensive solution to enable delivery of the site.
- 1.13 Essentially the scheme will be delivered in two phases. Phase 1 will see the site remediated and serviced to enable development. Phase 2 will be for the delivery of 130 new housing units.
- 1.14 Specifically the scheme will provide the following:
- 12 support housing units.
 - 36 affordable homes, being a mix of affordable rent and low cost home ownership.
 - 56 older person homes.
 - 26 open market homes.
 - 2 live/work units.
 - 4 full time care jobs.
 - Potential relocation of ACIS Head Office.
- 1.15 The scheme will also incorporate Modern Methods of Construction (MMC) on the affordable dwellings, along with walking and cycling linkages to the town. Green technologies will also be incorporated in the affordable housing construction.
- 1.16 Draft Heads of Terms are in the process of being agreed with ACIS for them to acquire land in WLDC's ownership. Funding from the GL LEP of £2,273,310 is to contribute towards the cost of remediation and site preparation. ACIS will provide match funding to the Phase 1 scheme which is currently estimated to be in the region of £945,765.
- 1.17 At this moment in time and as identified within the current draft Heads of Terms, the value of the land to be acquired by ACIS is yet to be determined and will be established through the preparation of a detailed Development Appraisal in accordance with ACIS's social housing model.
- 1.18 Detailed design for the site remediation and preparation works is ongoing. It is currently proposed that a hybrid application will be submitted around December 2019 which will seek full permission for the remediation and site preparation works and outline consent for the delivery of the housing. Assuming that planning permission is secured, it is proposed that works start on site in January 2020 with practical completion due in December 2020.
- 1.19 It is noted that the build out of Phase 2 will be subject to ACIS securing funding, working in partnership with the Blue Skies Consortium and its constituent members. Match funding for delivery of Phase 2 is currently in the process of being secured and will be confirmed in due course.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 The total amount of funding sought by WLDC for Phase 1b is as follows:

Corringham Road

- 2.2 Total scheme costs for Corringham Road are £1,512,500. Public match funding from LCC has been secured at £500,000 and private match funding from the developer of the SUE provisionally secured up to £500,000.
- 2.3 The balance of funding at £512,500 is therefore being sought from GL LEP for the cost of undertaking the works.

Bowling Green Lane

- 2.4 Total costs for the site preparation and remediation works are £3,219,075 of which match funding of £945,765 is being provided by ACIS, which has been approved subject to GL LEP funding being secured.
- 2.5 From the GL LEP SLGF, £100,000 is being sought to enable WLDC to acquire land required for the Riverside Walk and associated professional and management fees. The Riverside Walkway is the key place making element of this scheme, to provide for a direct pedestrian link for the town centre.
- 2.6 The GL LEP management fee of 0.5% has also been accounted for at £11,310.
- 2.7 Total GL LEP funding for this scheme is therefore £2,273,310.
- 2.8 Total GL LEP funding sought for both projects within Phase 1b is £2,785,810.

3.0 KEY ISSUES

- 3.1 A number of key issues were identified upon submission of the detailed business case, which are summarised as follows:

Corringham Road

- 3.2 Very little information was provided in addition to the Business Case by WLDC and further details in relation to plans and costings were requested.
- 3.3 Whilst some additional information has been provided, the scheme is at a relatively early stage; however, as this is intended to be designed and procured by LCC who have significant expertise in delivering projects of this nature, it is not anticipated that there are likely to be any issues in completing the detailed design process.
- 3.4 It is therefore recommended as a condition of investment for this element of the project that WLDC ensure on-going liaison with LCC so that any material changes to the scheme and/or associated costings are reported to GL LEP as quickly as possible.

Bowling Green Lane

- 3.5 Similarly, very little information was provided for this scheme beyond the Business Case. Following an information request to WLDC, more detailed information has been provided in relation to a costed specification of works and supporting plans along with a copy of the draft Heads of Terms between WLDC and ACIS. The due diligence has therefore been able to be completed following provision of the additional information subsequently provided.

4.0 STRATEGIC FIT

4.1 The project has high strategic fit through a number of interlinked strategies and associated programme initiatives, which are briefly summarised as follows:

- i. The award of Growth Point status for Gainsborough around 10 years ago, sought to stimulate new housing delivery in the town. Despite this designation, and even in context with the success of some developments in Gainsborough such as Marshall's Yard Retail scheme, the pace of change and particularly housing development within Gainsborough has been slow.
- ii. West Lindsey District Council Regeneration, Housing and Economic Growth Strategies all identify Gainsborough as one of the principle towns for major housing growth seeking to implement the following:
 - 4,350 new homes in Gainsborough by 2036.
 - 800 new homes on brownfield land by 2026.
 - A regenerated viable and legible town centre.
 - Improved transport infrastructure and connectivity.
- iii. Gainsborough Regeneration Strategy – implementation of this strategy is predicated on housing led economic growth, supported by Growth Point and Housing Zone designations.
- iv. Thinking Place Strategy September 2015 was a Place Making Study commissioned by the Council, which identified the town strengths and potential to be a strong location, capable of attracting a critical mass of new population. The Thinking Place study also highlighted the following issues requiring to be addressed in Gainsborough:
 - Poor state of the urban environment
 - Predominance of derelict brownfield land
 - Lack of connection to the riverside
 - Under occupied and underutilised Town Centre
 - Lack of strong identity
 - Other Pockets of social deprivation
 - Market stigma
- v. The analysis of the Growth Programme as proposed and the various strategies that underpin this have also been assessed to have strong fit with GL LEP's Strategic Economic Plan (SEP) as follows:
 - The ability to drive growth in the strongest sectors – through providing an efficient highways and transportation network and sufficient supply of housing across all tenures.
 - Promoting Greater Lincolnshire as a place for sustainable growth – this project will strengthen Gainsborough's reputation as an attractive and vibrant place to live and work and through provision of new residential development and enhancements/improvements to the highway network.
 - Recognising the need for new housing and support balanced housing provision and economic development. Housing led growth underpins

both the SEP and West Lindsey's Economic Growth Strategy with the rationale that attracting more people to the area will create demand for more services and goods, which will in turn attract more businesses and organisations to supply these needs. This should result in improving employment opportunities and increasing productivity.

- 4.2 This project is therefore deemed to have strong strategic fit in accordance with GL LEP and the Council's strategic objectives.

5.0 MARKET ASSESSMENT

- 5.1 An assessment of market conditions in relation to Corringham Road has not been undertaken given that this is a scheme to improve an existing highway junction. The need for this project has been identified through traffic data collated by LCC and in context with this being an accident hot spot and one of the most dangerous junctions in the county.
- 5.2 In terms of the Bowling Green Lane scheme, the need for the delivery of this scheme has been identified through its allocation as a strategic brownfield housing site within the Local Plan.
- 5.3 The scheme is part of the overall growth programme for Gainsborough with the town to target to housing growth at 12% of total growth across the Central Lincolnshire area by 2036.
- 5.4 Whilst Gainsborough has increased its market appeal in recent years and the pace of development is above average for a town of its size. Annual completion rates for Gainsborough over the last 12 years, average out at around 150 dwellings per annum. Nevertheless, in order to meet identified housing need the pace of delivery needs to increase further. New housing provision does need to deliver a complimentary range of housing tenures and mix.
- 5.5 The feasibility work undertaken in relation to Bowling Green Lane is in parallel to the town centre regeneration programme, which overall will enhance the appeal of Gainsborough and helping to meet increased demand for housing that is complimentary to other schemes being undertaken elsewhere.

6.0 DEVELOPMENT APPRAISAL

Corringham Road

- 6.1 A Development Appraisal for Corringham Road has not been undertaken as funding will be awarded from GL LEP purely to contribute towards the provision of a signalised junction. It is recommended that once the scheme has completed the detailed design process and the works have been tendered, that a copy of the lowest tender and report on tenders is provided to ensure that all costs are market facing.

Bowling Green Lane

- 6.2 Phase 1 of this scheme relates to remediation and site preparation only following the acquisition of land from WLDC. A Red Book Valuation for the land in its existing condition has been provided by WLDC which was produced in June 2017. The valuation was based upon very limited information and at a time when development proposals for the site were yet to come to fruition. As this Report and Valuation is

now out of date, and has been superseded by more detailed scheme information, it is not relevant for the purposes of this Due Diligence Assessment.

- 6.3 WLDC have subsequently confirmed that the value of the site will be calculated by ACIS utilising their internal social housing financial models for a mixed affordable and market housing scheme. At this time, the scheme has not completed ACIS's appraisal process and the actual land price to be agreed between WLDC and ACIS not established.
- 6.4 It is noted that as GL LEP funding is not being used by ACIS towards site acquisition that this information will be required for confirmation purposes. WLDC will of course be required to satisfy themselves that any disposal is in accordance with Section 123 regulations.
- 6.5 For the purposes of assessing site preparation and remediation costs, RLB have been procured to undertake a verification exercise by Thomas Lister in this regard. RLB have reported that based upon their assessment of proposed quantities, rates and associated fees, that these considered to be market facing and therefore accepted as reasonable.
- 6.6 The exception to this are the following provisional sums:
- Substation – A lump sum of £355,000 has been included which is not explained and requires to be substantiated as this cost appears to be high.
 - Landscaping – A cost has been included at £300,000, which is high and requires to be substantiated.
 - Gateway Approach Works Budget – Costed at £150,000 with no supporting explanation and requires to be substantiated.
- 6.7 As the above costs are provisional sums, they are likely to be determined once detailed design has progressed. It is therefore recommended that these costs are to be explained and substantiated upon provision of the report on tenders and lowest tender prior to drawdown of funding.
- 6.8 The review of the draft Heads of Terms between ACIS and WLDC, are considered to be robust and provide for clawback to be repayable to WLDC in the event that values exceed those that are eventually determined for the development appraisal to be produced for the Phase 2 scheme.
- 6.9 It is therefore recommended that at the appropriate time a copy of the final agreed Heads of Terms and funding agreement between WLDC and ACIS are provided for GL LEP's records.

7.0 DELIVERABILITY AND PROGRAMME

Corringham Road

- 7.1 An indicative programme for delivery has been provided which is summarised as follows:
- Detailed design to complete April 2020.

- LCC Due Diligence – May/June 2020.
- Procurement – May/June 2020.
- Contractor mobilisation and start on site – July/August 2020.
- Practical completion of the works – November 2020.

7.2 It is therefore recommended that a detailed programme be provided by WLDC at the time that this is crystallised through more detailed feasibility being completed by LCC.

Bowling Green Lane

- Masterplan for the site – completed.
- Detailed design to complete - August 2019.
- Site remediation design complete – September 2019.
- Planning application submitted - September 2019.
- Planning submission approved – December 2019.
- Tender process October 2019 – November 2019.
- Site mobilisation – December 2019.
- Start on site – January 2020.
- Contract completion – December 2020.

7.3 The above programme is also indicative and will be clarified as the scheme progresses through the detailed design and planning processes.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

8.1 West Lindsey District Council have procured State Aid advice from DWF Surveyors and internal solicitors at the Council in respect of the various elements of the scheme. Additional

8.2 The State Aid Advice is summarised as follows:

Corringham Road

8.3 The infrastructure works relates to the provision of enhance public highways, being undertaken by the appropriate public sector authority and therefore the scheme does not constitute State Aid.

Bowling Green Lane

8.4 The Council commissioned DWF to advise on a State Aid solution and the final methodology for this scheme is due to be provided by DWF/WLDC in due course. It is currently anticipated that subject to confirmation, the Phase 1 scheme may be

considered to be State Aid compliant under the German Land Development Scheme. This recognises that it is a fundamental role of the State to fund the abnormal costs of site preparation of state land in order to bring it back into economic use. This is strictly on the provision that in doing so the state would charge market value to purchasers of the site.

- 8.5 It is therefore recommended as a condition of funding that a copy of the State Aid Advice from DWF be provided as a pre-contract condition.

9.0 PROCUREMENT

- 9.1 The procurement of the various elements of Phase 1 b is as follows:

Corringham Road

- 9.2 LCC will implement their formal public procurement procedures in order to procure a contractor for the works from one of their existing Frameworks.

Bowling Green Lane

- 9.3 The Heads of Terms state that the site preparation and remediation works along with the delivery of the Phase 2 housing will to be wholly in accordance with public sector procurement regulations and will therefore need to meet the standards set out within WLDC's procurement policy.
- 9.4 There are no further issues identified in relation to procurement of Phase 1b of the Growth Programme.

10.0 OUTPUTS AND VALUE FOR MONEY

10.1 The outputs for the varied Phase 1b project are shown in the table below:

	2016/17	2017/18	2018/19	2019/20	2020/21	Future Years	Total
i) Core Outputs (Strategic Economic Plan)							
Public Investment Leveraged (£)				£80,000	£865,000	£55,000	£1,000,000
Private Sector Investment Leveraged (£)					£945,765	£500,000	£1,445,765
Number of new Jobs Created (gross)							
Number of Jobs Safeguarded (gross)							
Number of new housing units completed						130	130
ii) Local Strategic Outputs							
Commercial floorspace refurbished/constructed and occupied (sq.m)							
Number of businesses assisted to improve performance							
Number of learners supported						3	3
Number of new businesses created							
GVA Uplift							
iii) Others (please list) *							
Signalised Junction					1		1

10.2 The value for money assessment for the Phase 1b project is as follows:

- Private Sector Investment Leverage at 1:1.9 – this is considered to be value for money given that standard industry benchmarks for private sector leverage is 1:2.
- Public Sector Investment Leverage at 1:1.87 – this is just below standard benchmarks for around 1:2. Public sector leverage is not a primary output being generated and represents the commitment made to the project from the Council in order to facilitate development.
- Number of housing units at 130 – this equates to a cost per dwelling of £21,429 and is noted to be below Homes England benchmarks of around £25,000 per unit. This output is therefore good value for money.
- Number of learners supported – 3 apprenticeships employed on the construction contract. This equates to a cost of £928,603 per apprentice; however, as this is not a primary output for this scheme it is acceptable as part of a package of overall outputs.
- Signalised junction – this is not subject to a standalone value for money assessment, but is acknowledged to be one of the key deliverables being delivered by the Phase 1 scheme, which will in turn deliver significant of outputs to Gainsborough.

10.3 Overall, therefore the scheme is considered to be value for money.

11.0 MILESTONES

11.1 The following indicative milestones having been identified for the individual projects as follows:

Corringham Road

- Detailed design to complete April 2020.
- LCC Due Diligence – May/June 2020.
- Procurement – May/June 2020.
- Contractor mobilisation and start on site – July/August 2020.
- Practical completion of the works – November 2020.

Bowling Green Lane

- Detailed design to complete - August 2019.
- Site remediation design complete – September 2019.
- Heads of Terms are finalised between WLDC and ACIS.
- Planning application submitted - September 2019.
- Planning submission approved – December 2019.

- Legal contracts between WLDC and ACIS executed in 2019.
- Tender process October 2019 – November 2019.
- Site mobilisation – December 2019.
- Start on site – January 2020.
- Contract completion – December 2020.

11.2 It is hereby recommended that as the above milestones are indicative, that WLDC provide an updated programme and milestones at a time when the scheme has progressed to a more advanced stage.

12.0 RISK ASSESSMENT

12.1 A risk analysis for each of the projects are shown in the tables below:

Corringham Road

Risk	Likelihood Low /Medium /High	Overall Impact Low /Medium /High	Mitigation	To be a condition of funding? Y/N
Securing WLDC approval	Low	High	Committee approval already obtained for Growth Programme; ongoing reports will be prepared to keep Members apprised of developments.	Yes – Pre-Contract
Need for land acquisition	Low	High	Land charge searches to be undertaken. However, scheme to be designed within existing highway boundary.	Yes – Pre-drawdown
Statutory Diversions	Medium	Medium	Initial statutory undertaker search suggests limited impact if any. Early engagement with utilities as scheme progresses.	No
Access to Network	Low	Medium	Close liaison with LCC Streetworks team and early book of road space.	No

Bowling Green Lane

Risk	Likelihood Low /Medium /High	Overall Impact Low /Medium /High	Mitigation	To be a condition of funding? Y/N
Securing planning permission	Low	High	Allocated site; proposals in accordance with allocation; flood risk mitigation strategy approved by EA.	Yes – Pre-drawdown
Securing WLDC approval	Low	High	Committee approval already obtained for Growth Programme; ongoing reports will be prepared to keep Members apprised of developments.	Yes – Pre-drawdown
Securing cost effective tender	Low	High	Tender climate is potentially difficult currently, due to brexit and labour costs .There are number of procurement options to ensure this risk is mitigated.	Yes – Pre-drawdown
Completion of contract on time	Low	Medium	Progress against delivery will be monitored monthly and agreed contract period is reasonable for the scope of works required.	Yes – part of on-going monitoring

13.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

13.1 Conditions within the Funding Agreement will need to incorporate the following for both projects:

- i. Confirmation that Cabinet approval has been secured – pre-contract condition.
- ii. Confirmation that no additional land is required to be acquired to enable delivery of the projects – pre-contract condition.
- iii. WLDC ensure on-going liaison with GL LEP to report any material changes to the schemes and/or associated costings – pre-drawdown condition
- iv. A copy of the State Aid Advice from DWF be provided as a pre-contract condition – pre-contract condition.
- v. It is recommended that detailed programmes be provided by WLDC at the time these are crystallised for both projects.

- vi. A copy of the lowest tender and report on tender to be provided for each project when available. This is of particular relevance to the Bowling Green Lane provisional sums – pre-drawdown condition.

14.0 CONCLUSIONS

- 14.1 The Gainsborough Growth Programme is a priority scheme for delivery by West Lindsey District Council and is a regeneration initiative that the Council have been promoting since 2003 with ongoing challenges in relation to achieving delivery of this despite periods of favourable market conditions.
- 14.2 The Phase 1b Growth Programme is now being sought to deliver differing elements that will both contribute to the regeneration of Gainsborough in accordance with the umbrella growth programme project.
- 14.3 The Corringham Road scheme will be delivered by LCC as part of enhancements to the existing road network and will remove one of the worst accident hot spots in the county.
- 14.4 The Bowling Green Lane site has over time failed to come forward for fruition given viability issues relating to adverse site conditions. The social housing provided ACIS working with WLDC have therefore identified a solution to address adverse ground conditions and to enable as a Phase 2 scheme to bring forward a mixed tenure development in accordance with housing market conditions.
- 14.5 It is acknowledged that both elements of the scheme require much more detailed design to be undertaken, however, should be deliverable within the Local Growth Fund Programme.
- 14.6 Outputs have been assessed for the Phase 1b programme and are considered to be good value for money.

15.0 RECOMMENDATIONS

- 15.1 It is hereby recommended that SLGF of £2,785,810 is approved for this project, subject to the conditions detailed in Section 11 above being addressed.



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