



LEP INVESTMENT BOARD

29th October 2018

Lancaster Meeting Room 4, Lancaster
House, 36 Orchard Street, Lincoln, LN1
1XX

Paper 0 - Agenda

Time	Item and brief description	Lead	Access/Circulation
9:30	<p><u>Welcome, Apologies, Declarations of Interest</u></p> <ul style="list-style-type: none"> • Quorum • Approval of Minutes 21st September 2018 • Paper for Information on Project Pipeline circulated electronically 23rd October 2018 	<p>Chair</p> <p>Halina Davies LEP</p>	<p>All Members and Publication</p> <p>Paper 1 attached Paper 2 attached</p>
9:40	<p><u>Commercial in Confidence - Not for Publication</u> Greater Lincolnshire Growth Fund Project</p> <ul style="list-style-type: none"> • Orderwise (Wise Software UK Ltd) Report for Decision • Due Diligence Report • Accountable Body View 	<p>Michelle Davis (Greenborough Ltd)</p>	<p><u>Commercial in Confidence - Not for Publication</u> Paper 3 attached Paper 3.1 attached</p>
10:05	<p><u>Gainsborough Growth Project Phase 1a</u></p> <ul style="list-style-type: none"> • Report for Decision • Due Diligence Report • Supporting Presentation • Accountable Body View 	<p>Halina Davies, LEP</p>	<p>All Members Paper 4 attached Paper 4.1 attached</p>
10:30	AOB and close of meeting		

Attendees: Ursula Lidbetter, Cllr Peter Wheatley, Chris Baron, Pat Doody,

Apologies: Ruth Carver, Cllr Colin Davie, Cllr Rob Waltham, Pete Holmes

Officers: Halina Davies, Pete Moore (Section 151 Officer - Accountable Body),
Linsay Hill Pritchard (Accountable Body), Sue Groves (Note Taker)

Parking Arrangements

Location Map attached

GL LEP Investment Board - Declaration of Interest Table

Board Member	Project	Conflict
Pat Doody	Paper 3 - Orderwise (Wise Software UK Ltd) - Greater Lincolnshire Growth Fund	Natwest providing a loan to the applicants



LEP INVESTMENT BOARD

21st September 2018

Siemens, Teal Park Road, North Hykeham,
Lincoln, LN6 3AD

Draft Minutes

Draft Minutes

Present:

Board Directors: Ursula Lidbetter (Chair) (Lincs Co-op), Cllr Peter Wheatley (NELC), Cllr Rob Waltham (NLC), Chris Baron (Butlins), Pete Moore (Section 151 Officer), Pat Doody (Nat West)

LEP Officers: Ruth Carver, Halina Davies, Cathy Jones, Louise Greensmith (Note Taker)

Observers: Pete Holmes (BEIS), Michelle Davis (Greenborough Ltd - first 2 items only))

Apologies: Richard Wills (LCC), Cllr Colin Davie (LCC), Vicky Wheelwright (BEIS)

Welcome by the Chair

Apologies and Declarations of Interest

Formal apologies were received from the following:

Richard Wills (LCC), Cllr Colin Davie (LCC), Vicky Wheelwright (BEIS) observer

Declarations of Interest:

UL declared an interest on the Feasibility Fund Paper (Paper 6) as the Lincolnshire Co-op is a partner in LSIP

Pat Doody declared an interest on the two Growth Fund Projects relating to SDG Access Limited and Wolds Manufacturing Services Limited (Papers 2 and 3) . Natwest/RBS are the bankers for the schemes.

Pete Moore declared an interest on the Wolds Manufacturing scheme (Paper 3), LCC are equity partners in a parcel of land on the site. 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 the LEP office at the earliest convenience.

Minutes and Matters Arising

It was noted that the agenda for today stated approval of minutes for 25th May 2018; this should be approval of minutes for 24th August 2018.

The minutes of the 24th August 2018 were discussed. UL commented that on the Declarations of Interest it should read Gainsborough Growth Project and not Grantham Technology and Innovation. It was then accepted that these were a true record and can be published on the website.

Action

Amend and publish

Paper 2 - Greater Lincolnshire Growth Fund - SDG Access Limited

Pat Doody left the room. Board Directors were asked to consider the due diligence appraisal for the SDG Access Limited project and to approve progression to contracting stage. Michelle Davis gave an overview of the business; it is a family owned business that was established in 1989 that offer bespoke security door solutions, have a turnover of £1,665,608 and employ 15 FTEs. The Board asked for clarity on the ownership of the land involved in the project. This project will see the consolidation of all business operations to one site on the paddock north of 7 Lincoln Road. It

was noted that on page 9 of the due diligence assessment, point 10.2, it should read 2 jobs safeguarded and not 2 jobs created. It was also questioned why only 2 jobs would be safeguarded when the business employs more and it was confirmed that these 2 posts have only just been recruited with future growth in mind and without expansion they will no longer be sustainable.

The Board questioned the output of 23 jobs and the forecast of projected growth initially, given the likely increase in wages required and other costs on top of this such as utilities. However, it was noted that growth has been 100% over the last 3 years and maybe the applicant was cautious in their predictions. More detail would need to be captured on the types of roles being delivered within the contractual agreement. The board felt that the business model may not end up exactly as the applicants propose, but considered it to be a good model.

The Accountable Body confirmed support for the scheme and identified no concerns of note prior to and during the meeting.

Conditions to be included within the GLLEP funding agreement were agreed as follows:

- Full scheme plans, specification for the works and copy of the lowest tender to be appended to the funding agreement.
- Updated milestones for delivery of the project and forecast drawdown of GLLEP Growth Fund to be provided.
- A Red Book valuation to be provided for the site to be acquired for the scheme once the project is completed in order to verify acquisition costs, eligible expenditure and grant calculation and as a basis against which to assess future clawback obligations should this be triggered.
- Monitoring of outputs to be undertaken.

The Investment Board approved the £151,346 of Greater Lincolnshire Growth Fund towards the delivery of this project provided the recommended conditions are included in the funding agreement.

Paper 3 - Greater Lincolnshire Growth Fund - Wolds Manufacturing Services Limited

Pete Moore LCC left the room. Board Directors were asked to consider the due diligence appraisal for a grant to Wolds Manufacturing Services Limited and to approve progression to contracting stage. Michelle Davis gave an overview of the business; they are contract manufacturers of fine fragrance which commenced trading in 2013. They have a turnover of £964,634 (2017 accounts) and employ 22 staff.

The Board questioned and challenged Michelle on the business operating model and also mentioned the value of land, as money will be going to East Lindsey we needed to be sure that it is a genuine red book valuation. It was confirmed that the valuation has already been checked out during due diligence appraisal and has been confirmed as acceptable.

The Board commented on the terms on the land and asked if these had been agreed already, it was confirmed that they haven't, but that the land has been put aside.

The scale of grant was deemed to be significant for a small company and the Board sought more clarity on the monitoring and conditions of the project. It was confirmed that the business have and will continue to be supported by Growth Hub advisors and they are hoping to join the scale up

activity programme. The Directors of the business are very hands on and Greenborough Ltd will be monitoring them for three years following project completion.

Conditions to be included within the GLLEP funding agreement were agreed as follows:

- Full scheme plans, specification for the works and copy of the lowest tender to be appended to the funding agreement.
- Updated milestones for delivery of the project and forecast drawdown of GLLEP Growth Fund to be provided.
- A Red Book valuation to be provided for the land to be acquired and the scheme once completed as a basis against which to assess future clawback obligations should these be triggered.
- Monitoring of outputs to be undertaken.

The Investment Board approved the £327,653 of Greater Lincolnshire Growth Fund towards the delivery of this project provided the recommended conditions are included in the funding agreement.

Michelle Davis left the meeting.

Paper 4 - Hemswell Food Enterprise Zone (FEZ)

Pat Doody RBS/Nat West and Pete Moore LCC returned to the room.

Board Directors were asked to consider the due diligence appraisal for the Hemswell Food Enterprise Zone and to approve progression to contracting stage.

Halina Davies gave an overview of the project stating how this project will create a focal point for growing the farming and food supply chain in Greater Lincolnshire and that it is 1 of 3 strategic FEZ's in our area.

The utilities challenge has been a major barrier to site development in this area despite an LDO being in place, hence it is hoped that investment in site servicing will revive business interest enabling phase 1 to progress more quickly.

The Board discussed the possibility of a Tripart Agreement for this project and suggested that legal advice be taken in this regard. It was discussed that the funding to WLDC would then be managed by a Special Purpose Vehicle for delivery of the site; hence clawback provision needs to be in place within the contract. It was confirmed that a clawback clause is normally in place for 5 years within the GLLEP contractual agreement, but the Board asked to increase this to 10 years given the nature and longevity of the scheme.

The Board asked about current interest in the plots and it was confirmed that there has already been some indicated interest. The location of the project was discussed and it was confirmed that the main interest to date has been locally.

The Board asked if a forecast could be provided before the release of any grant. Halina Davies confirmed that there is a contractual condition already in place to cover this point.

The Board agreed that this is a key project for Greater Lincolnshire and recognised the

complexities and cost uncertainties that can often be associated with utility provision for sites of this nature, suggesting that this would have to be well managed with any unforeseen additional costs being underwritten by WLDC/the SPV.

The Accountable Body confirmed support for the scheme during the meeting and sought clarity on the role of the SPV and clawback provision prior to the meeting taking place.

Conditions to be included within the GLLEP funding agreement were agreed as follows:

- A demand study to be commissioned by WLDC and provided to demonstrate sufficient demand for the Phase 1 land prior to any drawdown of funding.
- In the event that costs increase, confirmation to be provided by WLDC funding has been secured to meet the balance of scheme costs as required.
- Once a contractor has been appointed to undertake the works, a programme for delivery as agreed within the contract to be provided.
- A copy of the Report on Tenders and contract sum to be provided to GL LEP.
- WLDC to provide information to GLLEP as required for future monitoring and performance including completion of the works as proposed, marketing and disposal of the serviced land and outputs as they are delivered.
- A quarterly profile of expenditure to be provided to GLLEP prior to draw down of any grant funding.
- WLDC to provide a copy of the agreement entered into with HEFL to ensure that appropriate clawback arrangements are in place in accordance with GL LEP's own provisions.
- WLDC to confirm that landowners of land beyond Phase 1 will not be permitted to benefit from or connect into infrastructure provided by this funding until measures have been put in place to ensure contributions are made commensurate with any uplift in land value received.

The Investment Board approved the £2,000,000 of SLGF towards the delivery of this project provided the recommended conditions are included in the funding agreement.

Paper 5 - Growth Deal Update Report

Halina Davies gave an update to the Board. It was confirmed that a full detailed report on progress with all projects, including spend position and achieved outputs, will be provided at the next Investment Board on 30/11/18.

The Board discussed the dashboard currently used which shows forecasts, outputs and outcomes. They asked if we were now able to do approved variations and change the dashboard. It was confirmed by Pete Holmes that yes this would be changed soon and the Accountable Body would be able to make these changes.

It was discussed how Government wanted to change the deadlines for submission of the dashboard. The Accountable Body thought that these deadlines were too tight and that they would need at least 2 months after submission of quarterly claims to be able to complete the dashboard.

It was confirmed that the LEP are preparing for the Annual Review, which should take place in December 2018, and an update on this will be given at the meeting on 30/11/18.

The Board discussed the Agri-Food Centre of Excellence project and it was confirmed that the University are still awaiting formal confirmation on ESIF funding. A contract is expected imminently from the ESIF team now that the scheme has been approved, but it is currently still within the legal process centrally. The delays in this scheme are having an impact on the Holbeach FEZ scheme too with the Centre being the first project within the FEZ, and utilities orders for Phase 1 having been placed by Lincolnshire County Council at risk to ensure that they remain secured to enable delivery. The Board were also given updates on projects as follows:

- Skegness Gateway Scheme Phase 1 - Phase 1 contract in abeyance pending discussions with Croftmarsh regarding land valuation and Phase 2 delivery.
- The Europarc FEZ contractual agreement is currently with NELCs Legal Team.
- Northern Junction Roundabout is awaiting a funding decision from Homes England and will not be contracted until this match funding is confirmed.

The Board discussed the GSRR project and the potential Public Enquiry. If this happens the project spend may exceed March 2021. Halina Davies confirmed we will know more after October 2018 and that an update will be included at the Investment Board meeting on 30/11/18.

Paper 4 - Greater Lincolnshire Feasibility Challenge Fund

Cathy Jones gave an update on the fund and an overview and update of all projects. It was confirmed that the £50,000 for the Europarc contract was no longer needed and that the purpose of this paper was to look at how we take this fund forward.

The following criteria were recommended and approved for the fund's operation:

- The fund would be open only to projects which form part of GLLEP's future project pipeline.
- The fund would be allocated on a rolling basis i.e. permanently open to applications with no artificial closing date.

This would be consistent with the recommendation from the Finance and Audit Committee that the fund be used for the development of the project pipeline, rather than going to an open call.

The Board raised concerns over the issue and practicality of having to provide 3 quotes at application stage. It was suggested that this should only be 1 quote and if contracted then 3 would need to be provided.

The Board were recommended to:

- Note progress to date in Rounds 1 and 2 of the Feasibility Challenge Fund
- Approve the creation of a rolling feasibility fund for the development of the future project pipeline, with the above criteria
- Approve the withdrawal of the £50,000 grant offer for the Advance Food Factory scheme at Europarc.

These were all approved by the Board.

Any Other Business

The Board asked for an update on the Northern Junction Roundabout project Judicial Review and were told that a hearing was scheduled for 31/10/2018 and 01/11/2018.

No other business from any members was recorded.

DRAFT

Greater Lincolnshire LEP - Call for Project Ideas

Paper 2

Author: Halina Davies, Growth Deal Programme Manager

Date: 22/10/2018

1. BACKGROUND

This paper informs Board Directors on a call for projects ideas against the Strategic Economic Plan (SEP) and emerging Local Industry Strategy (LIS) that will contribute to economic growth and productivity. This call for project ideas will form a project pipeline.

A Capital Growth Programme call for projects was launched in February 2016 for a wide range of strategic projects that would help to deliver the Greater Lincolnshire's Strategic Economic Plan (SEP). As a result of this call the Board approved a bid for round three of growth deal. The Strategic Infrastructure Delivery Plan (SIDP) led by our 10 Local Authorities will also feed into the bid. It is now time to further develop a pipeline of schemes across Greater Lincolnshire.





There is currently a good geographical spread of growth deal projects across the Greater Lincolnshire area, and across the priority sectors identified in the SEP. The GL LEP Capital Growth Deal (SLGF) Programme of £123.7 m is currently fully allocated, however should any of the projects be unable to proceed or demonstrate expenditure by the required government deadline of March 2021, having an up to date pipeline of projects to consider will be extremely important.

The Greater Lincolnshire LEP is also mindful that when the UK Shared Prosperity Fund is announced by government next year, Greater Lincolnshire will want to have a clear position on the business cases and prioritisation of schemes that will both contribute to the delivery of the SEP and the LIS. We therefore want to be in the position that a pipeline is in place by the Spring of 2019.

It is important to note and for the LEP Team to communicate widely that the call is therefore a call for project ideas, it is not a formal call against funding streams as there are no allocated funds to bid for at this stage.

2. GROWTH DEAL INVESTMENT BY THEME

The table below shows the targets within the Strategic Economic Plan. Figure Two below shows the impact that the Single Local Growth Fund is having on those targets. It does not show other sources of activity, investment and funding. This is undertaken annual as part of the annual review of the SEP.

<p>Strategic Economic Plan 2015 - 2030</p>	<p>Grow our economy by £3.2bn Public/Private Sector Leverage by 2030</p> 	<p>13,000 New Jobs Created by 2030</p> 	<p>100,000 New Homes Delivered by 2030</p> 	<p>Increasing the skills base within our priority sectors By 2030 (new learners)</p> 
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Greater Lincolnshire LEP - Call for Project Ideas

The Government funding award for Growth Deal is £123.7m, all of which is provisionally allocated to projects or programmes. An analysis of the Growth Deal provisional and actual allocations by theme has been undertaken to help us understand where funding has been focused within the portfolio to date (see Figure 1). Growth Deal investment can be grouped into four themes:

Business and Innovation: £20m on Projects that boost innovation and productivity in our economy. This includes our Food Enterprise Zone programme and emerging Medical School.

Skills: £16.8m towards the Skills Capital Investment fund Programme and additional strategic projects that respond to employer need and deliver the higher level skills required to drive growth across our economy.

Housing: £4.2m on Infrastructure that unlocks or protects housing developments in our priority places. This includes the Unlocking Rural Housing Programme.

Transport and Infrastructure: £82.7m on Infrastructure schemes and assets that provide a strategic and structured approach to connectivity and spatial planning, attracting inward investment and creating new homes and employment.

Figure 1: Growth Deal Allocation by theme

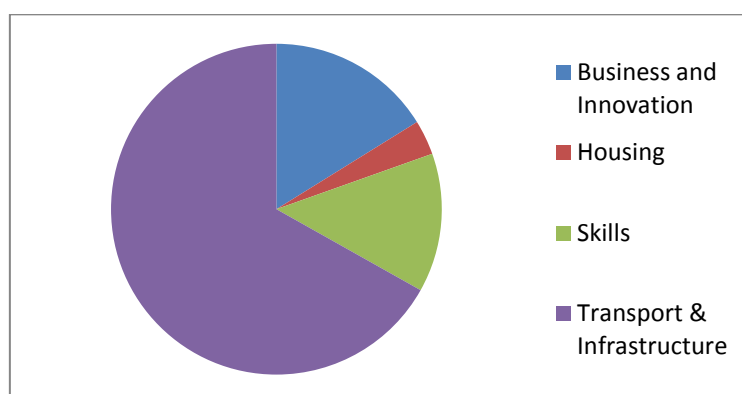


Figure 2: Impact of the Growth Deal Programme from Contracted Schemes

	New Jobs	Homes	New learners	Private/public Leverage	Growth Deal Allocation
Total Growth Deal Commitments	6688	6413	5447	£249,000,000	£88m
Contractual Targets to date	5170	4920	4518	£222,946,587	£123.7m
Difference	-1518	-1493	-929	-£26,053,413	-£35.7m

Figure 2 above demonstrates that whilst significant progress has been made in the contracting of SLGF projects, more schemes still need to be progressed to contracting stage to ensure the level of output achievement the LEP has committed to government in exchange for its growth deals. This also highlights the need for having a pipeline of

Greater Lincolnshire LEP - Call for Project Ideas

schemes in place that can guarantee quick delivery, thus increasing the level of outcomes achievable over the next 3-5 years.

As would be expected with the growth deal programme Figure 1 shows that the largest investment so far has been on enabling infrastructure schemes, with significant levels of funding also being dedicated to skills and innovation projects. Dedicated funding for housing related schemes has been limited to the Unlocking Rural Housing programme, however there is potential for this theme to be expanded in areas such as enabling complex housing, ensuring viability through gap funding and complementing successful Housing Infrastructure Fund (HIF) bids.

3 THE CALL FOR PROJECT IDEAS

Taking on board our investment by theme to date and shortfall in impact to date, the Board is being asked to consider the launch of a focused Invitation for strategic projects. This would enable future LEP investment to be focused on under-invested areas that help to deliver the LIS and SEP, whilst still ensuring that a broad range of ideas across all key sectors are identified and considered.

4 STRATEGIC DRIVERS

Our Local Industrial Strategy (LIS) will be developed in partnership with Government to identify the areas in which the UK has a strong competitive advantage and in which Lincolnshire has a pivotal part to play in the future.

The LEP would be seeking proposals that will boost productivity in Greater Lincolnshire by addressing one or more of the foundations and objectives outlined in the Government's Industrial Strategy, in a way that is relevant to our place. Emerging Local Industrial Strategy (LIS) priorities identified include:

- **A cross cutting skills mission:** to equip people in Greater Lincolnshire to transition into the world of industry and take advantage of the opportunities it offers.
- **A test bed area for rural energy solutions:** locally led solutions that will fill gaps in energy supply and build sustainable sources for the future.
- **Food processing productivity:** a focus on automation and robotics that could help businesses to adopt and adapt to emerging new technology.
- **Health and care innovation:** Linking with the Ageing Society Grand Challenge we aim improve productivity in the healthcare sector through delivering better health outcomes, and generating new business opportunities.
- **Ports & logistics, digitalisation and connectivity:** Bringing together our significant port assets and strengths in logistics and considering how technology developments can help us to better connect across Greater Lincolnshire and beyond.
- **An inclusive and innovative Visitor Economy:** supporting service innovation and exploring how we can grow the industry in a way that also improves quality of jobs and lives.

Greater Lincolnshire LEP - Call for Project Ideas

The LEP would be particularly interested in projects in our strategic priority sectors of;

- Manufacturing
- Agri-food and Agri-tech
- Visitor Economy
- Low carbon
- Health and Care
- Ports and Logistics

Projects responding to and helping deliver against our priority themes in the context of our key sectors would also be of interest. The themes include:

- Business growth
- Housing
- Infrastructure (road and rail)
- Infrastructure (digital and utility)
- Place marketing
- Water management and Energy
- Skills

The Initial invitation would be for outline business cases for schemes with the potential to deliver growth and productivity in the Greater Lincolnshire area, taking into account the priorities already mentioned. In particular, a clear correlation with LIS priorities would need to be demonstrated.

Capital or revenue projects could be submitted but with a minimum grant funding request of £250,000 and minimum overall project cost of £1,000,000.

Applicants will be asked to bear in mind the following points if considering whether to submit an outline business case:

- Is the proposed scheme is ready for delivery
- Are they in a position to develop a full Business Case if invited to do so following initial assessment and scoring
- Will business case requirements set out in our Assurance Framework be satisfied i.e. leverage and outcomes that demonstrate good value for money
- Where a project relates to business support complementarity with the Greater Lincolnshire Growth Hub will expected
- We will prioritise projects that can be ready to start quickly
- When completing the outline business case a clear description and a rationale for the proposed project will be expected, particularly regarding:
 - what the need for LEP funding is and how investment will address issues identified in the SEP and Industrial Strategy and contribute to the growth of the Greater Lincolnshire economy
 - evidence to show why the market/private developers/operators cannot progress the scheme without the LEP's support
 - available data to demonstrate there is demand / need for the project

Greater Lincolnshire LEP - Call for Project Ideas

- the expected and realistic milestones for planning, clearance, construction and operation of the scheme
- the LEP will not support any projects that are looking for 100% funding therefore broad costings, funding mix and project cash flow must be provided.

3. ASSESSMENT

All projects submitted will be assessed and scored with regard to strategic fit, economic case, deliverability and risk and impact on productivity.

Projects that are prioritised through this process will be added to the GL LEP project pipeline.

4. NEXT STEPS

Open invitation launched	Monday 29th October 2018
Deadline for Outline business case submissions	Monday 10th December 2018
Assessments and scoring	Wednesday 11th - Friday 12th December 2018
Pipeline schemes reviewed and agreed by GL LEP Board	25 th January 2019 GLLEP Investment Board Meeting
Project applicants notified if not shortlisted for pipeline	Early February 2019

Investment Board

29 October 2018

Paper 4 - Gainsborough Growth Project Phase 1a

1. PAPER FOR DECISION

- 1.1 Board Directors are asked to consider the due diligence appraisal for Phase 1a of the Gainsborough Growth Project and to approve progression to contracting stage.

2. BACKGROUND

- 2.1 Gainsborough Growth Programme is a major 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. Overall the programme aims to support the delivery of 4,350 new homes in Gainsborough by 2036; create a regenerated and legible town centre; and improve transport infrastructure and connectivity.
- 2.2 The scheme includes a suite of projects which will restore and revive Gainsborough's town centre, creating a coherent, attractive and strong commercial hub which will support a growing town.
- 2.3 The Board first considered this scheme on the 24th August 2018; however despite being supportive of the Living over the Shop scheme, transport model and riverside walk public realm elements, deferred their decision on the project requesting further detail on proposals for the former Lidl site and former Guildhall site.
- 2.4 The regeneration of Gainsborough has been considered in past master plans in tandem with its Growth Point status over the last 10 years; but the market in Gainsborough remains fragile and public sector investment is required in order to help de-risk the development process and ensure that quality commercial and housing development can be attracted to the town.

3. ALLOCATION

- 3.1 The Gainsborough Growth Project was attributed a provisional allocation of £4m by Government in response to the Greater Lincolnshire LEP Growth Deal 3 bid in July 2016.

4. THE PROJECT

- 4.1 The overall project will be split into two phases. Phase 1a will include the following:

Former Guildhall, Whitton Gardens and Lidl town centre redevelopment: redevelopment of key strategic sites which have the potential to create a new anchor for the town centre at its western end and link to the river. Development briefs for these sites have been prepared and Muse was confirmed as development partner

following a procurement process in May 2018. The redevelopment will see the construction of a 4 screen cinema, 3 restaurants/ retail units and substantial public realm improvements, which will greatly boost the town's leisure and evening economy offer, substantially improving the attractiveness of Gainsborough as a place to live, work and invest. It is considered that the scheme should be capable of being brought forward for early delivery given that the acquisition of the Lidl site has completed and the Development Agreement for the delivery of the wider site with Muse now exchanged and pending grossment in around 6 weeks time.

- 3.4 Gainsborough Transport Model: detailed modelling using the latest housing and employment trajectory was required to better understand the transport network bottlenecks and options appraisals on potential solutions. The modelling work is now complete with GLLEP being asked to fund this element retrospectively.
- 3.5 Living Over The Shop: Joint Venture Company set up with Dransfield Properties to directly refurbish some shop fronts and use the JV as a pilot for the 'Living Over the Shop' scheme to convert upper stories into flats. The conversion of 4 flats in the centre has completed and due to the success of the pilot, the Council intends on launching a roll out of the scheme (details provided in paper 3.1). 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.

5. FUNDING

- 5.1 The total amount of growth deal funding sought by the Council for Phase 1a is summarised as follows:
- £1 million to fund the strategic public realm works within the wider development, subject to the development agreement with Muse.
 - Gainsborough Transport Model £271,000
 - Living Over The Shops pilot project £130,000
 - Living Over The Shop roll-out £200,000

This equates to a total of GLLEP SLGF funding requirement of £1,601,000

- 5.2 Match funding can be summarised as follows:
- Lidl acquisition - West Lindsey District Council has expended £811,012 in acquiring this building in December 2017.
 - Public sector match funding from the Council in addition to the Lidl building is circa £1.9 million to meet any remaining cost value deficit on the scheme from capital reserves.
 - 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.

Total private sector match funding for Phase 1a is therefore £11,772,845, which is from the Muse scheme and includes investment from Dransfield Properties.

6. OUTPUTS AND OUTCOMES

6.1 The due diligence appraisal demonstrates the scheme as being good for money.

Phase 1	GLLEP Funding	Outcomes
Former Guildhall, Whitton Gardens and Lidl	£1,000,000 public realm (Whitton Gardens)	4 screen cinema, 3 restaurants/ retail units, public realm work and car park provision
Gainsborough Transport Model	£271,000 for transport model (retrospective)	Indirect output of 4,435 dwellings by identifying transport bottlenecks and proposing solutions
Living Over the Shop - Pilot	£130,000 for capital works (retrospective)	4 flats
Living Over the Shop - Roll Out	£200,000 for capital works	8 units
Total	£1,601,000	

7. MILESTONES

7.1 The following milestones are recommended to be incorporated into the funding agreement and updated if required through an ongoing monitoring agreement with GLLEP:

- The development agreement with Muse to be engrossed and in place by 30th November 2018.
- Feasibility and design work for the town centre scheme to be completed by Muse incorporating the Public Realm scheme by March 2019.
- Planning Application for the town centre scheme incorporating the Public Realm to be submitted by 30th June 2019.
- Planning Approval to be secured by 31st December 2019.
- Competitive tendering of the works to commence in January 2020.
- Contractor appointed by March 2020.
- Practical completion of the Public realm scheme by March 2021.
- Delivery of the wider Muse development anticipated by 2024.

- Living Over The Shop's rollout to commence on site January 2019.
- Living Over The Shop's rollout to be completed September 2019.

7.2 The project will:

- Attract £11.7m of private sector leverage
- Attract £811,012 of public sector leverage
- Create 115 new FTE jobs
- Create 12 new homes
- Achieve £2.85m GVA uplift.

8. CONDITIONS

The following information will need to be provided and incorporated into the funding agreement. This information is required to ensure that delivery is in accordance with the due diligence report and that any variations are thus approved by GL LEP:

WLDC to confirm when the Development Agreement has been engrossed with Muse and once in place to confirm updated milestones and programme for delivery of the scheme.

WLDC to confirm the financial and investment structure for the scheme in accordance with the outcome of the marketing and occupier interest secured.

Once the programme for delivery has been crystalised with Muse as noted above, a profile for the drawdown of the funding allocated for the public open space works to be provided along with an updated schedule for delivery of outputs.

Confirmation of the costs of the public realm works, once these have been subject to a competitive tender process to demonstrate amount of GLLEP funding allocated towards these works is still required at the approved level.

Updated information to be provided by WLDC as part of ongoing monitoring as to operators secured for the leisure elements of the scheme.

More detailed information to be provided for the Living Over The Shops rollout programme including units to be acquired, schedule of works to be undertaken, size of residential dwellings to be provided, programme for delivery and disposal

9. COMMENTS FROM THE ACCOUNTABLE BODY (Section 151 Officer

On the Gainsborough project I am satisfied that the due diligence report, as now presented, has a reworked proposal which addresses the issues raised in a previous meetings of the Board and that it contains a comprehensive assessment all the key outputs and risks and that the proposed investment can be met from within the LEP's available budgets.

10. RECOMMENDATION

- 10.1 That the Investment Board formally approves to contracting stage £1,601,000 of Single Local Growth Fund towards Phase 1a of the Gainsborough Growth Project subject to the above conditions.



Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Single Local Growth Fund

For

**Gainsborough Growth Programme Phase 1a
Gainsborough**

18th October 2018

Paper 4.1

CONTENTS

	Page No.
1.0 PROJECT SUMMARY AND PLANNING STATUS	2
2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING	4
3.0 KEY ISSUES	5
4.0 STRATEGIC FIT	5
5.0 MARKET ASSESSMENT	8
6.0 DEVELOPMENT APPRAISAL	8
7.0 DELIVERABILITY AND PROGRAMME	9
8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE	10
9.0 PROCUREMENT	11
10.0 OUTPUTS AND VALUE FOR MONEY	12
11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT	13
12.0 CONCLUSIONS	14
13.0 RECOMMENDATIONS	14

APPENDICES

I	BUSINESS CASE AND KEY SUPPORTING DOCUMENTATION
II	MASTER PLAN
III	MUSE REGENERATION DOCUMENT
IV	COPY OF GRANT AGREEMENT
V	COPY OF JOINT VENTURE AGREEMENT

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 £1,601,000 to fund a number of separate projects forming part of Phase 1a of the Gainsborough Growth Programme.
- 1.2 The Gainsborough Growth Programme comprises Phase 1a, 1b and 2 and the funding sought subject to this Due Diligence is for 1a only.
- 1.3 The Due Diligence for the scheme was considered by the GLLEP Board on the 24th August 2018, where the need for greater clarification was raised in relation to utilising SLGF for the Muse regeneration element of the scheme and its relationship to the Lidl site which was intended to be acquired to potentially accommodate non-food retail use and provide car parking for the wider town centre development.
- 1.4 Further discussions have therefore been held with WLDC in relation to the Lidl site and certainty of proposals in this regard. WLDC have confirmed that non-food retail use of the former Lidl building is now unlikely and the decision has been taken to revise this element of the scheme. WLDC working with GLLEP are now seeking to re-allocate SLGF funding to a separate element of the project.
- 1.5 The revised Phase 1a project now comprises the following:

- 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 have 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.

At this time, Muse have exchanged the Development Agreement with the Council and have undertaken some tentative marketing of the site in order to secure potential leisure operators. Interest has been expressed from a number of cinema operators; however this is unable to be progressed at the moment until all funding has been secured and the scheme can be committed to delivery.

Given this uncertainty, SLGF funding is now being sought to implement the Public Open Space Scheme known as Whitton Gardens and the former Guildhall which will 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 scheme.

- Wider Muse Development – There are a number of options under consideration with Muse and documented within the Development Agreement, for delivery of the scheme and varying interventions from the parties. These options are briefly detailed in the table below;

Option	Details	Risk / Issues
Muse deliver and let the scheme and sell investment to an institution.	Through the marketing of the scheme, Muse secure tenants of sufficient covenant strength and on lease terms that are acceptable to investment institutions.	That through the marketing of the scheme, occupiers cannot be identified on institutional terms / sufficient covenant strength. This will impact on the ability for Muse to exit through sale of asset and project value is reduced.
WLDC Forward Fund the scheme if the above option is not deliverable.	Muse to serve an option on the Council to fund and replace institutional investment. The Council could sell on its investment ownership in the completed scheme once the building is largely occupied.	The Council may struggle to sell the scheme if occupiers are not in accordance with institutional requirements or may have to sell at a loss.
WLDC enter into a 'wrapper lease' if forward funding option is rejected.	WLDC will take a lease of the completed building upon certain criteria being achieved such as a minimum occupancy level and will be responsible for all sub-tenants, managing the building and paying rent to the building owner. The lease to the Council would be on institutional terms and this along with the Council's covenant would enable an investment sale to the institutions and at a higher value. This enables Muse to exit the scheme.	WLDC will be liable for all costs arising under the headlease for the entire term of the lease irrespective of whether the building is fully let or not. WLDC will also be responsible for managing and maintaining the building.
WLDC enter into an 'income strip' lease as an alternative lease structure to a 'wrapper lease'.	A similar structure to a 'wrapper lease' but for a longer term, (30 – 40 years minimum). The Council have the option to acquire the asset at the end of the lease for £1.	WLDC would have the same financial exposure under the headlease but for a longer period of time. The value / liability of the asset at the end of the lease term may not be an attractive proposition for the Council and would not justify rental payments over an extended period of time.

- The ability to crystallise the preferred option with Muse for delivery of the scheme is yet to be determined and will be wholly dependent on the outcome of the marketing of the scheme by Muse, ability to secure occupiers and on what terms.

This also means that the financial position of the Muse scheme cannot be fully assessed, nor can the financial exposure of the Council under the terms of any headlease arrangement. The marketing of the scheme is likely to commence in November 2019 for a period of at least 6 months, by which time a structure for scheme delivery and investment should be established.

- Gainsborough Transport Model – This commission has also been completed and funding is therefore sought on a retrospective basis to recover the costs for this work. The report has undertaken detailed modelling utilising the latest housing and employment trajectory, to better understand the transport network bottlenecks and to identify options for potential solutions. The report also incorporates an options assessment which will lead to preferred solutions being identified to alleviate congestion within the transport network and to ensure that it will not hinder future developments for the town.

The cost of undertaking this commission is £271,000, which GLLEP is requested to fund in totality.

- Living Over The Shops initiative – a pilot project for converting vacant upper storeys above retail units in the Town Centre for residential use is currently being run by the Council working by way of Joint Venture arrangements with an SME company called Dransfield Properties. The terms of the JV are that both the Council and developer will invest equal amounts of capital funding, with the developer to undertake implementation and delivery of the scheme. The developer's role is to agree terms with the various property owners for acquisition of the vacant space, undertaking scheme design, securing necessary planning consents and implementing the works. The developer also appoints local agents to undertake the letting of the converted space.

The pilot project undertaken on Market Street has completed and resulted in the delivery of 4 flats that have been successfully let. Funding of £130,000 as de minimis funding is therefore sought on a retrospective basis.

The rollout of the Living Over The Shops initiative is now programmed and proposes the acquisition of a further 8 units which are located on Market Street will be subject to conversion works. The Council is seeking around £200,000 in totality to be administered on a de minimis basis for the various buildings that will deliver the 8 units. These properties have been identified and initial feasibility completed. The scheme will be worked up in detail in readiness for delivery once a decision has been made on the GLLEP funding application.

- 1.6 In terms of planning for the various aspects of the scheme, the former Lidl site, Guildhall and Whitton Gardens is forecast to have a planning application submitted in Qtr 2 2019, with planning permission granted in Qtr 3 2019. The programme for the planning application is pending engrossment of the Development Agreement with Muse as developer partner which has now exchanged.
- 1.7 For the Living Over The Shop roll-out, planning permission is anticipated to be secured by December 2018, with the works to commence in Qtr 1 2019.
- 1.8 Phase 1b comprises the proposed construction of a 140 new dwellings as part of Riverside North with Phase 2 comprising the Gainsborough Northern SUE to deliver around 750 new dwellings. Funding for the balance of the Phase 1 Growth Programme is currently estimated to be in the region of £2.6 million; however this will be crystalised as both elements of the scheme are progressed to a position where they are ready to be brought forward and the Due Diligence can be completed.

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:

- £1 million to fund the strategic public realm works within the wider development, subject to the development agreement with Muse.
- Gainsborough Transport Model £271,000
- Living Over The Shops pilot project £130,000
- Living Over The Shop roll-out £200,000
- This equates to a total of GLLEP SLGF funding requirement of £1,601,000

2.2 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 circa £1.9 million to meet any remaining cost value deficit on the scheme from capital reserves.
- Gainsborough Transport Model – no match funding as GLLEP 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.
- Total private sector match funding for Phase 1a is therefore £11,772,845, which is from the Muse scheme and includes investment from Dransfield Properties.
- The funding required from Muse for delivery of the scheme will be committed upon engrossment of the Development Agreement which is anticipated to be in 6 to 8 weeks’.
- 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 detailed business case, which are summarised as follows:

- i. Information in relation to the scheme to be implemented by Muse and how this related to the acquisition and proposed use of the former Lidl site as part of the Gainsborough Regeneration Project was unclear. As future use of the Lidl site remains unclear, it is intended to exclude the Lidl site and any associated costs from GLLEP funding.

Muse will be responsible for procuring the implementation of the public realm works scheme as part of that being delivered through the wider leisure scheme incorporating the funding from the GLLEP (via WLDC). All works will be procured by Muse in accordance with public sector procurement regulations. The risk being that should Muse fail to bring forward the wider project, the public realm scheme will not be implemented and funding not drawn down by WLDC.

- ii. Retrospective Funding – at the time the Business Case was initially prepared, it was anticipated that the drawdown of GLLEP funding would be required in advance of the Lidl site being acquired and the transportation modelling completed. Given the passage of time and so as not to delay other elements of the Gainsborough scheme, the transport modelling work and The Living Over The Shop’s pilot scheme has also completed and funding therefore, is being sought retrospectively.

Through discussions with the GLLEP Team, it is understood the award of retrospective funding is acceptable, subject to completion of satisfactory due diligence in relation to the amount of funding sought and Board approval.

For the Living over the Shops scheme and transport study, confirmation of actual expenditure has been provided. WLDC have advised that they do not have the funds available for this scheme given the £3 million commitment made for the Muse development and have therefore temporarily borrowed reserves until SLGF is available, which will trigger repayment of the funds borrowed.

- iii. Information relating to State Aid advice for all elements of the scheme was requested – This has been duly provided and is discussed within later sections of this Due Diligence.
- iv. Living Over The Shop Scheme – A copy of the Joint Venture Agreement between the Council and Dransfield Properties, along with the Grant Agreement was requested so that an understanding of the delivery structure for the scheme process for implementing grant and any clawback triggered can be properly assessed to ensure this is in accordance with GLLEP’s requirements – all such documentation has been provided and no issues identified in terms of the provisions therein.
- v. It is noted that the above issues have either fully been addressed or documented further within later sections of this report.

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 GLLEP'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 GLLEP and the Council's strategic objectives.

5.0 MARKET ASSESSMENT

5.1 Two aspects of the Phase 1a Growth Programme have been market tested, the development project subject to the Development Agreement with Muse, which incorporates the re-use of the former Lidl store for non-retail use and public car parking and the Living Over The Shop scheme.

5.2 In terms of the Muse scheme, proposals for Gainsborough have been subject to a series of feasibility studies and market analysis over time influenced by market circumstances, including the relocation of the Lidl store to a larger store in a more appropriate location to better meet customer demand. The reuse of the Lidl site will be in accordance with planning policy and subject to a final masterplan for the site and wider area being prepared by Muse.

5.3 In terms of the Living Over The Shop scheme, this has been tested through the first phase pilot scheme delivering four units which has already completed. Good quality residential accommodation in the heart of the Town Centre both introduces new uses to the town and will help support the night time economy through the establishment of residents in its heart. This type of accommodation is also a new housing product being delivered to Gainsborough and therefore has the ability to increase the overall type and mix of housing on offer in the town. The successful letting of these units and number of enquiries received therefore provides evidence of demand within the market to take up this type of accommodation and a good indication of the robust levels of demand for the roll out scheme.

6.0 DEVELOPMENT APPRAISAL

6.1 A Development Appraisal of this project has not been undertaken in the traditional sense, given certain elements of the scheme did not require this. The acquisition of the Lidl site is supported by a Red Book Valuation, costs of providing the public realm have been provided by the Council via Muse and the transport study was commissioned by WLDC in accordance with public procurement processes.

6.2 All of the above have been subject to verification of actual costs incurred. This is with the exception of the public open space works and it is therefore recommended as a condition of this investment, that the Council provide evidence of actual costs of implementing the Public Realm works once available to demonstrate that the full amount of GLLEP funding of £1,000,000 was required for the area identified as eligible and will be vested into this element of the project.

6.3 In terms of the Living Over The Shop scheme, the key issues to be addressed will be acquisition of any of the roll out properties which will be required to be at market value and are governed by the terms of the Joint Venture Agreement and Grant Agreement between the Council and Dransfield Properties. There is also an absolute requirement that the letting of the completed units is to be at market value; however until this element of the Living Over The Shop scheme advances, information in this regard is not currently available. It is therefore recommended as a condition of investment that WLDC will be required to demonstrate that letting of the completed

units will be in accordance with market rates, following a proper marketing exercise, undertaken by suitably qualified agents.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 It is considered that the scheme should be capable of being brought forward for early delivery given that the acquisition of the Lidl site has completed and the Development Agreement for the delivery of the wider site with Muse now exchanged and pending engrossment.
- 7.2 Muse are to be responsible for designing and procuring the public realm works with the feasibility undertaken to enable a planning application to be submitted during Q2 2019. Planning approval would then be anticipated to be secured by Q3 2019. Following tendering of the works, a start on site should be achievable by 2020 with practical completions 12 months later during 2021.
- 7.3 It is acknowledged, that the options which have been agreed in principle between WLDC and Muse may require further attention, specifically any financial and delivery issues to be resolved in terms of project agreements.
- 7.4 It is noted, that until the formal marketing of the scheme has been undertaken, the financial structure cannot be determined. Ultimately if the scheme fails to attract sufficient occupiers, the scheme will be abandoned and arrangements with Muse terminated.
- 7.5 Although timescales for delivery are generally considered to be realistic and reasonable, it is recommended that a detailed programme for delivery of the scheme be provided by the Council once the Development Agreement is formally in place with Muse and there are clear milestones for completion of the various tasks to be undertaken to enable the scheme to come forward on site. Whilst the GLLEP funding for the public realm works will be drawn down at a much earlier time, it is clearly important to understand the delivery of the wider scheme as this will result in delivery of outputs for GLLEP.
- 7.6 With regards to the Living Over The Shop scheme, as part of the funding is being drawn down retrospectively, the works and outputs have been delivered for the Pilot project.
- 7.7 There is less information currently available in relation to the roll out of the Living Over The Shop scheme and it is therefore recommended that more detailed information in relation to the properties, size and type of units, conversion costs and programme for delivery is provided when available for this scheme.
- 7.8 Overall, therefore, the various elements of the project are considered to be deliverable; however it is timescale for delivery that requires to be clarified, particularly in terms of outputs beyond drawdown of the SLGF.
- 7.9 In absence of a detailed programme for delivery for the Phase 1a scheme, the following milestones are recommended to be incorporated into the funding agreement and updated if required through an ongoing monitoring and agreement with GLLEP:
- The development agreement with Muse to be engrossed and in place by 30th November 2018.

- Feasibility and design work for the town centre scheme to be completed by Muse incorporating the Public Realm scheme by March 2019.
- Planning Application for the town centre scheme incorporating the Public Realm to be submitted by 30th June 2019.
- Planning Approval to be secured by 31st December 2019.
- Competitive tendering of the works to commence in January 2020.
- Contractor appointed by March 2020.
- Practical completion of the Public realm scheme by March 2021.
- Delivery of the wider Muse development anticipated by 2024.
- Living Over The Shop's rollout to commence on site January 2019.
- Living Over The Shop's rollout to be completed September 2019.

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 GLLEP in relation to the Living Over The Shop scheme.

8.2 This information is summarised as follows:

- Acquisition of the Lidl site – use of public resource by the public 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 has been provided to support the acquisition, there are no issues raised in this regard in terms of State Aid.
- In terms of the future use of the former superstore should WLDC decide to retain it, these works are to be procured directly by either Muse or the Council, and will be subject to appropriate procurement requirements and State Aid consideration by the Council at the appropriate time.
- For the Muse development, as GLLEP funding is not being investing in any element of the Muse scheme, no detailed review of the proposals with Muse have been undertaken. The exception to this is the public realm works that are proposed to be undertaken; however, as these works do not generate any value in itself, but will benefit the wider development area and Gainsborough generally these works are effectively public infrastructure and there are no State Aid concerns.
- Transport Modelling Study – this study has been procured directly by the Council for use by the Council as part of its general highways and transportation remit and activities. Consultants were procured on competitive terms and as such there are no issues identified in relation to State Aid.

- Living over the shop – this funding is intended to be invested into the Joint Venture Agreement in order to deliver this programme. Copies of the JV agreements have been provided and reviewed and it is demonstrated that the Local Authority and developer sit side by side in terms of making investment and having the ability to share in both the risks and rewards on equal terms. No issues have therefore been identified in terms of the JV arrangements between the Local Authority and developer and furthermore, the Local Authority can invest funding in bringing forward identified development projects within their area that are in accordance with their remit and objectives. In order to be wholly State Aid compliant, any acquisition of properties, works undertaken and disposal of the completed space must all be in accordance with market rates.

It is also noted that the level of funding proposed for this scheme will be drawn against a number of projects with the grant funding to be below the de minimis level of €200,000 and should not therefore give rise to any State Aid issues.

- 8.3 Therefore on the basis of the information provided we have not identified any State Aid issues. WLDC and the Accountable Body should however continue to monitor compliance and notify GLLEP should any issues arise.

9.0 PROCUREMENT

- 9.1 The procurement of the various elements of Phase 1a is as follows;
- 9.2 Public realm – these works will be procured by Muse under the terms of the Development Agreement and will be required to be undertaken on a competitive process, in accordance with Public Sector Regulations.
- 9.3 Living Over The Shop scheme – the developer will be responsible for procuring the works on behalf of the JV and in accordance with the Grant Agreement will be required to ensure that all works are undertaken on a competitive and procurement compliant basis.
- 9.4 There are no further issues identified in relation to procurement of Phase 1a of the Growth Programme.

10.0 OUTPUTS AND VALUE FOR MONEY

10.1 The outputs for the 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	£2,188,988	£3,000,000
Private Sector Investment Leveraged (£)		£595,722	£283,487	257,230	£4,347,407	£6,238,999	£11,722,845
Number of new Jobs Created (gross)						115	115
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)							
Number of businesses assisted to improve performance							
Number of learners supported							
Number of new businesses created							
GVA Uplift						£2.85m	£2.85m
iii) Others (please list) *							
Transport Model			Baseline Model				
Public Realm Improvement 4,955 sq.m						Whitton Garden and Caskgate St	

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

- Private Sector Investment Leverage at 1:7.35 – this is excellent value for money given that standard industry benchmarks for private sector leverage seeks a minimum of 1 to 2 in order to be considered value for money.
- Public Sector Investment Leverage at 1:1.87 – this is just below standard benchmarks for around 1 to 2; however is not a primary output being delivered and represents the commitment made to the project from the Council.
- Number of new jobs created at 115 - equates to a cost of £13,922 per job. The value for money benchmark of circa £15,000 for jobs created and is considered to be good value for money.
- Number of housing units completed at 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 £2.85 million which equates to a ratio of 1:1.8 or £24,783 generated per job which is generally in accordance with economic benchmarks for job created within the leisure sector.
- 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 cost for providing the above outputs overall, is therefore considered to generate good value for money.

11.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

11.1 Conditions within the Funding Agreement will need to incorporate the following:

- WLDC to confirm when the Development Agreement has been engrossed with Muse and once in place to confirm updated milestones and programme for delivery of the scheme.
- WLDC to confirm the financial and investment structure for the scheme in accordance with the outcome of the marketing and occupier interest secured.
- Once the programme for delivery has been crystalised with Muse as noted above, a profile for the drawdown of the funding allocated for the public open space works to be provided along with an updated schedule for delivery of outputs.
- Confirmation of the costs of the public realm works, once these have been subject to a competitive tender process to demonstrate amount of GLLEP funding allocated towards these works is still required at the approved level.

- Updated information to be provided by WLDC as part of ongoing monitoring as to operators secured for the leisure elements of the scheme.
- More detailed information to be provided for the Living Over The Shops rollout programme including units to be acquired, schedule of works to be undertaken, size of residential dwellings to be provided, programme for delivery and disposal.

12.0 CONCLUSIONS

- 12.1 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.
- 12.2 The Phase 1a Growth Programme has now progressed to an advanced stage where an element of the SLGF is being sought on retrospective basis. These circumstances have arisen given that the Council needed to make investment in phase 1a in advance of the funding application being ready for submission due to other elements of the Phase 1a Growth Programme being delayed. The early investment by the Council was therefore made in order to ensure that acquisition and development opportunities were not lost through having to wait for funding to be secured, whilst other elements of the programme were being progressed with Muse.
- 12.3 The scheme in totality has now come forward to a position where it is ready for implementation, subject to the Development Agreement with Muse being engrossed and finalisation of the Living Over The Shop rollout programme.
- 12.4 Outputs have been provided for the Phase 1a programme and assessed as being good value for money.
- 12.5 Despite the progress made to date with Muse, the overall financial and delivery structure for the scheme is to be formalised and is dependent on the outcome of the marketing process in order to find occupiers. It is anticipated that some form of headlease arrangement will be required with the Council, however if financial exposure is deemed too great and specific occupancy criteria are not met, the headlease arrangements will not proceed and the project may be abandoned.

13.0 RECOMMENTATIONS

- 13.1 It is therefore recommended that SLGF of £1,601,000 is approved for this project, subject to the conditions detailed in Section 11 above being addressed.



.....
Rachel Lister BSc (Hons) MRICS

Date: 18th October 2018

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