

**D2N2 Investment Board – May 2020**

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Meeting and Date	D2N2 Investment Board – 11 <sup>th</sup> May 2020		
Subject	D2N2 Programme Update		
Author	T Goshawk	Total no of sheets (Excluding cover sheet)	5

Papers are provided for:	Approval <input type="checkbox"/>	Discussion <input type="checkbox"/>	Information <input checked="" type="checkbox"/>
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Summary and Recommendation(s)
<p>The Board are asked to note the progress report on the D2N2 LGF programme.</p> <p>The report highlights the current position on the programme and provides an update on each of the projects.</p>

## **D2N2 INVESTMENT BOARD**

### **May 2020 D2N2 Programme Update**

#### **Programme Overview**

The following paper gives an overview of the LEPs Local Growth Fund programme. The programme has seen significant affects to delivery through the Covid 19 pandemic situation and therefore this paper highlights the position of the 'live and upcoming' projects in the programme.

Annex A – Provides an update on projects including the impact of the Covid 19 pandemic.

#### **Performance Update**

Following last years spend targets we can now confirm that the target set by Government for spend in the 2019/20 financial year (£40m) was fully allocated and spent and the LEP also utilised all previous years underspends in this year as well. Therefore, in the 2019/20 financial year the LEP allocated and spent its projected £46,395,884 meaning that the LEP no longer holds any underspend allocation moving in to the 2020/21 Financial Year.

The current position of the programme is largely affected by the Covid 19 pandemic and the effect this is having on the construction industry. Annex A provides a full update of all projects that are live or due to go live in the next financial year and includes the impact from Covid 19 for each project.

In general the construction industry has been highly affected by the current pandemic due to a multitude of factors, including supply chain constraints, increased costs of materials but primarily the main effects are as a result of social distancing in the workplace which is affecting the amount of construction-based work that can take place, which will affect delivery timetables and increase associated costs.

Going forward project sponsors have cited that the uncertainty over how long the social distancing period will last is likely to cause ongoing delays to their projects. Some construction sites are remaining closed due to the contractor's choice and in effect are out of the control of project sponsors to progress.

Sponsors have stated that productivity is likely to drop on site when a return is announced due to social distancing and this is likely to have significant impacts to both cost and time on the projects. The other ongoing risk is around supply chains and their resilience moving forward. Manufacturers of products have ceased production in some areas already leading to shortages in key materials (such as plaster and plaster board) and this is likely to affect both the timing of projects and the price due to increases in cost.

### **Impacts to the Programme**

Should the March 2021 deadline stay in place for full commitment and spend of the Local Growth Fund programme it is unlikely that the D2N2 programme will achieve this. Delays are anticipated to continue and the uncertainty over productivity with regards to social distancing will have an effect on the construction sectors ability to meet the deadline.

Multiple authorities are identifying cost increases to their projects and this may have an effect on the sponsors ability to deliver the final project. In some cases, cost increases close to 10% are being identified based on evaluation of the situation and this could affect the ability to finish to the specification outlined if at all.

This will clearly have impacts on the outcomes projected at the delivery of a Final Business Case and will also affect the delivery of outputs and their timing.

The LEP is working closely with all projects to look at what flexibilities are possible and review the situation around costs once full assessments can be carried out to understand the extent of price increases to the projects across the whole programme.

The Investment Board and main LEP board will continue to be provided updates on the impact of the programme and our ability to meet the deadlines and deliver the full programme. At a national level through the LEP network all LEPs have

already requested an extension to the deadline from government, we are also seeking early confirmation of future LGF funding announced in the March budget and understand how that can be used.

## **Annex A – Covid 19 impacts on Capital Projects**

**Ashbourne Airfield** – The contractor was due to start on site imminently when the lockdown came in to force and therefore have mutually agreed with the project sponsor to halt any construction due to the unknown risks that any delay or working conditions change would have on the project. The delays and sourcing of materials are likely to increase the costs of the project and this may make the current agreed contract undeliverable for the contractor. The section of works led by Eurovia was shut down on the 17<sup>th</sup> of March apart from the most essential works, this situation is being reviewed on a three weekly basis but still remains as of now. Costs are likely to increase on original cost at the time of approval and the extent of delay to the construction programme is unknown.

**A46 Corridor Phase 3** – The project is continuing to progress at the same timescales as outlined within the Milestones paper. The business case is still expected in time for the November Investment Board.

**A52 Wyvern** – The contractor in some areas is struggling to find materials to deliver the works that were programmed for now but are working to change the programme to accommodate any shortages. The bridge installation has been delayed due to issues with social distancing and will be put in place at a later date.

**Becketwell** – The demolition works on the site were temporarily halted due to the current situation however an expected return to the site is expected this week. The developers are still continuing to progress with sourcing external investment for the site and are continuing to press on with the development of the revised planning application for the site.

**Buxton Crescent** – Uncertainties are in place over the end of the project, the works to the exterior are largely completed and internal finishes is the main element required to finish the project. However, due to social distancing restrictions the works on the internals have been delayed, with the nature of the completed building being in the hospitality sector there is uncertainty over when the project will reopen as timelines for the sector are unknown.

**Castleward** – Slight delays have taken place in the design of the new school however the project is still continuing to progress through the development stages and Derby City Council are confident that the June Investment Board will still be made for the Final Business Case to be reviewed there.

**Crocus Place** – The project has been slightly delayed by the impacts of Covid 19 and will now look to come for a Final Business Case decision at the June Investment Board Meeting if all aspects of the requirements in the Local Assurance Framework are in place.

**Nottingham City Hub** – The main contractor placed a 48 hour hold on all activity on the site to assess the operating procedures following the initial lockdown. Following this hold, the contractor resumed works on site and continues to operate with around 50% capacity to allow progress but maintain social distancing. Full cost and timing implications are currently being assessed for the project however it is expected that there will be delays to the completion of the facility and cost increases from the impacts of Covid-19.

**Gedling Access Road** – The project remains on site and has continued to do so throughout the period of the Covid 19 lockdown, however with limited capacity. Changes are being made to the programme of works and how these works are being carried out with social distancing in mind. The financial/ timing implications of the project are currently unknown and Nottinghamshire County Council are working with the contractor to fully understand the scale.

**Heathcoat Immersive Incubator** – The project has seen minor delays to the programme due to the impact of Covid 19 and will therefore be pushed back by one month. This has little impact on the overall delivery of the programme of works and the Council remain committed to the work.

**HS2 Strategic Sites** – The project is continuing to progress through its next phases following an approval of the Final Business Case at the March 11<sup>th</sup>, 2020 Investment Board meeting. A resolution has been found to the mast issue on the site and an agreement has been made to relocate it to enable the work to proceed. Work packages in section B are continuing to progress and no real delay has been seen to the project from the Covid-19 situation.

**MTIF** – The construction works at the Clifton Campus were halted with immediate effect following a decision from the contractor and have not yet resumed. The Boots campus building has continued to progress however at a limited scale. NTU are working to understand the implications of the shutdown/slowing of progress however the extent will not be known until the works can get back on site.

**Mushroom Farm** – The project is continuing with its procurement process and expects tenders to be returned in May. The June Investment Board is still being targeted for the project to present its Final Business Case.

**N2 Town Centres** – Overall the N2 Town Centres projects that are in the construction phase have been temporarily reduced in workforce or suspended. The effects to the overall programme delivery from these projects is not seen as too much of a risk as most projects are likely to incur delays of anywhere of up to 2 months which will not affect the overall programme significantly. In terms of the projects waiting for approval, most are continuing to progress to the best of their ability at the same pace before covid-19. However, some delays in processes may be seen due to shortages in certain professional areas, most projects are stating a similar delay of around a month to their business cases being delivered to the LEP.

**NTU Nursing provision in Mansfield** – NTU have drafted the Final Business Case and continue to progress with the works. Some procurement issues are being encountered through suppliers having furloughed staff or not having availability to respond, therefore the procurement may be delayed. The project sponsor is still looking to present a Final Business Case to the June Investment Board.

**NTU Smarter Connected Campus** – The project is continuing to progress at the same timescales as outlined before and is progressing towards procurement. The business case is still expected in time for the September Investment Board.

**Omics Research Facility** – Derby University are continuing to progress with their procurement and business case and are still working towards the business case being delivered for the September Investment Board.

**Revitalising the Heart of Chesterfield** – Tendering has started for the public realm works element of the project and is in line with the milestones for the project. The works to the marketplace has been delayed due to the current situation and Chesterfield Borough Council are working to identify the impact from the delay. Both sections of the project are dependent on the results of the procurement exercises and how potential contractors will respond to the tender, which may have an impact on the final timeline and cost.

**Riverside Business Park** – The project has seen delays to the contractor's progress on site and ability to keep work moving. A key decision of the agreement of the hotel occupier for the site has been delayed in the present circumstances whilst the occupier reviews its overall business. The project sponsor has identified that they will struggle to meet the March 2021 deadline and has requested the LEP to increase the grant drawdown intervention rate. At the moment we are continuing to work closely with the project to mitigate the risks to the project from the slowdown and potential risk from the hotel occupiers decision on progressing.

**Silk Mill** – The project has halted construction works on the site due to the inability to continue with adequate social distancing measures in place. The project was on track to complete for September but will now be delayed due to the stop in works and the reduced capacity when these resume. The delay in works is likely to cause cost implications to the project and this may affect how the project is completed.

**Southern Gateway** – Construction works on the Car park element of the project has been reduced due to the measures in place from social distancing but continue to progress. There is however uncertainty over the future of Intu and therefore the works towards the Broadmarsh Shopping Centre. Nottingham City Council are continuing to work with Intu to monitor the situation and are providing regular updates.

**Tollbar House** – The project sponsor is continuing to progress with the agreed milestones as set out from the projects inclusion. No significant delays to the programme are yet to be foreseen and the Final Business Case is still anticipated for the July Investment Board.

**Woodville Swadlincote** – The project has been slightly delayed by the impacts of Covid and the project will now finalise procurement in May. The Final Business Case decision will be delayed until June but this has no impact on the construction timeline.