

D2N2 Investment Board –June 2020

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Meeting and Date	D2N2 Investment Board – 16 th June 2020		
Subject	D2N2 Programme Update		
Author	T Goshawk	Total no of sheets (Excluding cover sheet)	

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

June 2020 D2N2 Programme Update

Introduction

The following paper provides an overview of the LEPs Local Growth Fund programme, including an update on progress against the financial targets for this year.

Covid 19 has had an impact on many parts of the programme, therefore this paper highlights the current position of the 'live and upcoming' projects in the programme and the mitigation strategy where there is one in place.

Annex A – Provides a project change request for Riverside Business Park

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

No substantial changes have been made in the Growing Places Fund since the last meeting and therefore there will be no paper update at this meeting.

Performance Update

Coming into the last year of the programme the LEP has £40,086,356 of its £250.7m Local Growth Fund budget left to spend before the March 2021 deadline. LEP Officers are working closely with project sponsors for all projects that are 'live' and still 'awaiting approval' to monitor the ability to spend by the deadline.

At this moment in time based on the current assessment of the programme and if all the projects are approved as set out we believe we will be on track to deliver the full programme target by the end of this financial year. We have also over profiled by £2M to provide a buffer against any underspends.

A full budget breakdown is included within Item 6 which includes both the financial position of the overall programme from 2015-2021 as well as a breakdown of each projects LGF drawdown for each financial quarter in 2020/21.

The current position of the programme has been affected by the Covid 19 pandemic and the effect this is having on the construction industry. Annex B 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 was initially highly affected by the Covid 19 crisis with several sites closing down completely for a period or reducing the amount of labour on site significantly. These reductions in workforce are still in place in most sites but nearly all are now back on site and operational. Project sponsors are still quantifying the delays to their programmes and the uncertainty over how long the social distancing period will last is likely to cause ongoing delays.

The Crocus Place project has now officially been withdrawn from the LGF programme by Nottingham City Council which will return £3m to the budget that will leave the programme with a potential underspend. This is addressed in Item 5 of the meeting where two pipeline projects are put forward for consideration by the Investment Board to utilise the balance available from the withdrawal of Crocus Place.

LGF Review and Government Update

The position of Government remains the same with regards for the need to have spent the entirety of the Local Growth Fund Allocation by the 31st of March 2021, at this moment in time it is unlikely that this deadline will change. Therefore, we will continue to work with projects to progress and accelerate spend wherever possible to make sure that the programme is fully contracted as soon as possible and the deadline for spend is achieved.

Stephen Jones, Director of the Cities and Local Growth Unit wrote to all LEP Chief Executives to explain that an LGF review will be taking place, and requested a formal submission by the 17th of June on the progress to date of the LGF projects in year and the forecasts of spend and commitments in the programme up until March 2021. This review will inform the release of the full funding for this financial year.

In this financial year government have advanced two-thirds of the funding and have withheld the final third pending the review of progress and ability by LEPs to both commit and spend the allocation in the final year.

D2N2 Officers alongside the Accountable Body will directly respond to the review process and submit the requested evidence. A decision on the final third of funding will be confirmed by Ministers and if approved funding will be released by August.

At this point in time the LEP has currently contractually committed 94.7% of its total LGF budget and should the approvals at this meeting be successful this figure will rise to 95.5%.

We are confident that we can both commit our full allocation and spend the funding within the financial year.

Annex A – Project Change Request

Below is a

Project Name/ Promoter and description	Change Description	Reason for the Change	Impact of the change	Officer Recommendation
Riverside Business Park	Financial – The project sponsor is requesting that they can change the arrangements to drawdown 100% of costs spent through Local Growth Funding rather than the 50% basis which was agreed at the time of approval.	The project has been delayed due to the impacts of Covid 19 and a delay in the construction of the hotel development due to be built on site.	The change will allow Riverside Business Park to utilise all of the remainder of their LGF allocation in the 2020/21 financial year. without the amendment due to the delays on site the project would not be able to meet the financial deadline of	The LEP Officers recommend that the change request is granted and that Riverside Business Park are allowed to drawdown 100% of costs through LGF to the total sum of £3.35m. This does not affect the delivery of the project and clawback conditions in the contract will

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			the final year of the programme	ensure that the private sector contributions will be monitored in future years.

Annex B – Covid 19 impacts on Capital Projects

Ashbourne Airfield – The contractor was due to start on site 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. Costs are likely to increase on original cost at the time of approval and the project sponsor remains keen to develop with costs being considered.

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 now taken place and works on the rest of the site remain.

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 – This project is due to be considered at this meeting.

Nottingham City Hub – Following the initial production slow down from the reduced capacity on site, the main contractor has now increased the amount of people that can safely work on site and the project is working to around 80% capacity. The College are hopeful that delays will be able to be kept as short as possible.

Gedling Access Road – The project remains on site and has continued to do so throughout the period of the Covid 19 lockdown, however with reduced capacity. Changes are being made to the programme of works and how these works are being carried out with social distancing in mind. Financial and Timing implications to some degree are still unknown however it is seen that the September 2021 completion date may slip slightly.

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 11th, 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 –Works on both sites are now in progress but with reduced capacity. The Clifton site did temporarily halt all construction activity in the early stages of the Covid outbreak but has now resumed. The project is hoping to achieve a September finish.

Mushroom Farm – The project has received tendered costs from suppliers and will now re-engage with the market due to the costs not being in alignment with the original estimates. The business case will now be received in September, but this has no major effects on the programme and ability to utilise LGF.

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 significantly affect the overall programme. 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.

NTU Nursing provision in Mansfield – The project is to be considered at this 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 which is seen in **Annex A**. The project sponsor has worked to reconfigure the construction programme to mitigate the current circumstances.

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 delayed by the impacts of Covid and the project will now finalise procurement in June. The Final Business Case decision will be delayed until July and it is requested that the LEP Board oversee this decision to enable a quicker commitment to the project.