



GLLEP INVESTMENT BOARD

26th February 2021

Microsoft Teams

Paper 0 - Agenda

Time	Item and brief description	Lead	Access/Circulation
13:30	Welcome, Apologies, Declarations of Interest <ul style="list-style-type: none"> FOR APPROVAL - Minutes 19th January 2021 	Chair Chair Accountable Body	Paper 1 attached
13:40	FOR INFO Growth Deal Update, Annual Performance Review Feedback & GBF Update	Halina Davies, LEP	Paper 2 attached
13:55	<u>DECISION - Construction Centre Extension, Stamford College</u> <ul style="list-style-type: none"> Summary Report & Recommendations Due Diligence Report Value of Grant: £2,129,834 	Halina Davies, LEP	Papers 3 and 3.1 Attached
14:10	<u>DECISION - Horncastle Hub - Boston College</u> <ul style="list-style-type: none"> Summary Report & Recommendations Due Diligence Report Value of Grant: £1,231,490 	Halina Davies, LEP	Papers 4 and 4.1 Attached
14:25	<u>DECISION - Killingholme Marshes Drainage Scheme</u> <ul style="list-style-type: none"> Summary Report & Recommendations Due Diligence Report - <u>Commercial in Confidence</u> Value of Grant: £ 	Halina Davies, LEP	Papers 5 and 5.1 To Follow
14:45	AOB and close of meeting	All Members	

Directors: Pat Doody (Chair), Cllr Colin Davie, Cllr Philip Jackson, Dean Fathers
 Apologies: Andrew Crookham (S151 Officer), Cllr Rob Waltham
 Observers: Pete Holmes (BEIS), Nick Worboys, Darren Cunningham
 Officers: Ruth Carver (GLLEP), Halina Davies (GLLEP), Sue Groves (Note Taker)

26/02/2020 GL LEP Investment Board - Conflict of Interest Table

Board Member	Project	Conflict
Cllr Colin Davie	Horncastle Public Sector Hub	LCC involved in land ownership of the site the scheme is now being developed on

Cllr Rob Waltham	Killingholme Marshes Drainage Scheme	NLC supported Able UK with the submission of the scheme and would be one of the beneficiaries
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Quorum rules -A quorum shall vary dependent on fund values to be voted upon. For projects with a value under £2 million, three members of the investment committee are required. For projects with a value above £2 million, four members of the investment committee are required. In each case, these require at least one Private Sector Director and one Non-Private Sector Director



LEP INVESTMENT BOARD

19th January 2021

Via MS Teams

Draft Minutes

Present:

Board Directors: Pat Doody - Chair, Cllr Philip Jackson (NELC), Dean Fathers (Health),

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

Observers: Pete Holmes (BEIS), Jo Dexter (BEIS), Andrew Crookham (Accountable Body & S151 Officer)

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

Welcome by the Chair

Apologies and Declarations of Interest

Declarations of Interest

Cllr Colin Davie - Lincolnshire IOT Holbeach Hub (Paper 4)

Cllr Rob Waltham - Killingholme Pumping Station

Full declarations of interest can be found at

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

Minutes from Previous Meeting (Paper 1) -The minutes from the Investment Committee held on 27th November 2020 were accepted as a true record.

Matters Arising

- Chair stated that there is a need for further members of the Investment Board, particularly from the private sector.
Action: To garner interest from board members at next Board meeting and subsequently discuss at Appointments Committee
- Following the decision on which of the 3 proposed Skills Capital Fund projects to take forward at the last Investment Board, a formal complaint was received from Lincoln College. Under the GLLEP Complaints Policy, the Chief Executive reviewed, the Accountable Body then reviewed with the outcome being made known to the complainant. There were 4 main lines of enquiry and these areas were not upheld following an independent investigation. Should the complaint be escalated further, this will be dealt with by BEIS.
- Claims for Quarter 3 from SLGF are looking like they will be less than expected. Officers will provide an update on Q3 claim outcomes at the next investment board meeting.

Getting Building fund (GBF) Update and Annual Performance Review Requirements Report (Paper 2 - Halina Davies)

- Schemes that were confirmed with a provisional GBF allocation are identifying a total programme spend value of £36.5m of which £25.8m will be covered by GBF grant. Government's expectation is that £12.9m of the grant must be spent by 31 March 2021. Having carried out due diligence work on a number of schemes and assessed fully expected expenditure levels to March 2021, we have identified that the target of £12.9m will be difficult to meet without utilising freedoms and flexibilities and these are being considered in conjunction with the accountable body.
- GL LEP funding agreements are with applicants for three of the schemes and necessary changes to the Centre for Innovation in Rural Health agreement are now also completed.
- Three more due diligence reports were shared with the Investment Board for consideration to move to contracting stage later in the meeting.

Comments:

- ❖ Important that the all funding remains on track to spend by March 2022
- ❖ LEP has set itself a £17.3m contracting target by 31 March 2021.

Skills Capital GBF -The GC Energy Centre; Engineering and Construction - Grantham College (Paper 3 - Halina Davies)

- The refurbishment of the two existing areas of the College requiring modernisation and upgrading to achieve enhanced energy efficiency. The works would also include replacement of steel framed single glazed windows, the removal of asbestos, demolition and alteration activities.
- The GC Energy Centre: Engineering and Construction project requires £2,463,207 to be fully delivered of which capital expenditure would be £1,962,937. An overall Getting Building Fund allocation of £1,605,606 has been awarded with £8,028 being retained by the LEP towards GL LEP fees, leaving a net grant contribution of £1,597,578.
- Due diligence has identified that the overall package of outputs delivered by the scheme is considered to provide excellent value for money.
- Since circulation of the paper, a meeting has been held between the applicant and the main contractor appointed at risk, and the completion date for the scheme has now been brought forward by 6 weeks.
- Covid could have an impact on the number of new learners which could in turn impact on revenue levels to the scheme, so close monitoring will be required once the scheme is completed.
- Costs may prove higher than anticipated, but following the tender process, we would look to have these underwritten by the applicant.

Decision:

- Board was supportive and approved the project to contracting stage. The following contractual conditions were agreed:

Pre-Contracting

Applicant to confirm how the courses would be delivered should revenue generated by fees not reach required levels.

Applicant to confirm that any shortfall in funding for the refurbishment scheme will be met by the college.

Pre-Drawdown

An updated programme to be provided for the delivery of this scheme to demonstrate that it is deliverable within the programme set for the Skills Capital Investment Programme.

A copy of the report on tenders to be provided for the scheme, to provide a final contract sum, demonstrating that the scheme can be delivered as proposed within the due diligence.

General

Given that the curriculum will be delivered with revenue generated through fees via apprenticeships taking place at the College between 2021 and 2025 and that numbers may be down due to the Covid pandemic, provision should be delivered as a minimum over a ten year period in line with the clawback clause in the GLLEP funding agreement.

Skills Capital GBF -Lincolnshire Institute of Technology (Holbeach Hub) - UofL (Paper 4 - Halina Davies)

- GL LEP funding of last resort is being sought to contribute to the scheme due to the fact that costs have increased following discovery of unforeseen ground conditions along with the onset of the COVID pandemic.
- The project requires £2,569,714 of capital to be fully delivered with a Getting Building Fund allocation of £1,122,965 contributing to the construction works, and £5,615 being retained by the LEP from the provisional scheme allocation towards GL LEP fees leaving a net grant contribution of £1,117,350.

- With NCFM and centres at 6 partner FE colleges across Greater Lincolnshire, the IoT will specialise in supporting the skills needs of Lincolnshire's key sectors to include agri-technologies and food manufacturing, energy and engineering, with a unifying digital theme relevant to all sectors in this time of technological change and innovation.
- Following due diligence appraisal the scheme was considered to be good value for money.

Comments:

- Query as to whether it is an issue with topping up a Government project. No issue with supporting the DfE project, the University is lead partner for the project application.

Decision:

- Board was supportive and approved the project to contracting stage. The following contractual conditions were agreed:

Pre-Contracting

- Written confirmation from the University that they will be responsible for meeting any cost overruns so as to ensure the scheme can be delivered as proposed

Pre-Drawdown

- The University to confirm that full planning permission has been secured for the IoT Holbeach Hub
- An updated programme to be provided for the delivery of this scheme to demonstrate that it is deliverable within the programme set for the Skills Capital Investment Programme
- A copy of the report on tenders and lowest tender to be provided to GL LEP.

Skills Capital GBF -The Care CoRE (Centre of Regional Excellence for Care) -Boston College (Paper 5 - Halina Davies)

- An innovative, multi-functional training centre for the sector, focusing on improving digital skills at all levels to support the introduction of additional technology within the caring roles as well as developing practical care skills alongside reinforcing the sector's values and behaviours. It will provide an industry-led training suite based at the Rochford Campus.
- The project requires £736,500 of capital to be fully delivered with a Getting Building Fund allocation of £414,500. £2,073 is being retained by the LEP towards GL LEP fees leaving a net grant contribution of £412,427.
- The College has confirmed that all required match funding is in place and the GL LEP investment is therefore funding of last resort.
- Due diligence appraisal has deemed the project as excellent value for money.
- Contingency time and budget has been included in the project plan.

Comments:

- If the contingency does not get spent, what happens to that degree of funding, and the response was that final costs will be reviewed at the end of the scheme and we may decide to claim some of the grant back if they come below expected forecasts.
- Board members felt that the scheme could be further strengthened by direct engagement with the Health & Care Enterprise Board.
- Collaboration with Lincoln Care College and the Centre for Innovation in Rural Health was also considered to be a helpful networking route for the project.

Decision:

- Board was supportive and approved the project to contracting stage. The following contractual conditions were agreed:

Pre-Contracting

The College are to confirm that they will be responsible for meeting any additional/unforeseen costs associated with the delivery of the project, so as to enable the scheme to proceed as currently proposed.

Pre-Drawdown

An updated programme to be provided for the delivery of the scheme to demonstrate that it is deliverable within the programme set for the Skills Capital Investment Programme. This is also relevant given the current lockdown restrictions and whether the proposed programme is affected in this regard.

A copy of the report on tenders to be provided for the scheme, to provide a final cost for the scheme, demonstrating that it can be delivered as proposed within the due diligence report.

General

The applicants are to demonstrate how they will work with existing health and care providers in Lincolnshire, in particular the Centre for Innovation in Rural Health being established by the University of Lincoln.

A member of the GLLEP Health and Care Enterprise Board should be invited to work with Boston College and help advise on the delivery of this scheme. Dean Fathers as its Chair will raise the project on their agenda.

Killingholme Marshes Drainage scheme (Killingholme Pumping Station) GBF (Verbal Update - Halina Davies)

- The scheme has a provisional GBF allocation of £4.3m, and the project requires £9.28m to be fully delivered.
- The due diligence report is almost complete, however, there are milestone details still missing and evidence of required landownership is still awaited from the applicant.
- The project will deliver extensive surface drainage across a large area of the South Humber bank and will replace the current temporary arrangements.
- The project would be managed on behalf of the landowner, Able Humber Ports Ltd, by its UK Asset Manager, Able UK Ltd and they are the lead project applicant. Once completed, the pumping station would be adopted by North East Lindsey Drainage Board.
- The project would have a key impact on the economy alongside the development of Able Marine Energy Park and Humber Freeport aspirations.
- The scheme would safeguard 248 hectares of the Humber Renewable Enterprise Zone, the largest single Enterprise Zone in the UK.
- In terms of the BEIS Offshore Wind Manufacturing Investment Scheme, OWMIS, the applicants are waiting for a decision from Government, and if the bid proves successful it will enable the creation of the wider Marine Energy Park. BEIS has indicated that initial results will be conveyed in February and a successful port would receive an interim letter of support at that point.
- Able aim to commence work on site in April 2021 and complete by March 2022. The need for evidence confirming the transfer of a strip of land from ABP to AHPL for the project is crucial by 18th February.

Comments:

- This is a complicated scheme and has a large amount of funding allocated to it. The LEP needs to make sure that the funding is capable of being spent by March 2022 and need to decide what deadlines should be put in place so that this funding can be allocated elsewhere to achieve the spend should the project fail to meet necessary milestones.
- BEIS and the LEP felt the strategic importance of the scheme is recognised and that it should be discussed at the Annual Performance Review meeting with Government.

- With regard to the mitigation site and planning consent order relating to the wider AMEP scheme this has been ongoing issue since 2017. The mitigation site has already been successfully relocated by Able UK, but a formal agreement to this process is still required from the Secretary of State for Transport. The Humber Freeport submission requires this decision to be finalised. If BEIS can help move the process forward, it would be greatly appreciated.
- PH suggested there might be an exceptional case made to MHCLG as to why this project may take longer recognising its national strategic importance.

Action

- ❖ HD to write a paper for BEIS prior to APR meeting
- ❖ Meeting to be arranged between the Chair, RC, HD and Neil Etherington of Able to discuss

Any Other Business

None

Next Investment Board Meeting

26th February 2021

DRAFT

PAPER 2 GETTING BUILDING FUND & SLGF UPDATE REPORT

Publication	Public Paper (published)					
Meeting date:	26 February 2021					
Agenda Item:	2					
Item Subject:	Report on Getting Building Fund & Single Local Growth Fund Programme Progress					
Author:	Halina Davies & Linsay Hill Pritchard					
For:	Discussion		Decision		Information	Yes

1. SUMMARY

- 1.1 The Investment Board is asked to note the progress made in delivery of the Getting Building Fund (GBF) Programme and Single Local Growth Fund (SLGF) Programme, and measures being taken to manage contracting and grant expenditure this financial year.
- 1.2 With the financial year end approaching it is important for the board to understand claims and delivery against Q3 of the SLGF programme and contracting and expenditure expectations for the GBF programme by 31 March 2021.

2. GETTING BUILDING FUND

- 2.1 The following schemes were confirmed for provisional funding allocations by the Secretary of State in early August 2020:

Scheme	Applicant	Grant Allocation	RAG	Status
Centre for Innovation in Rural Health	UOL	£1,300,004	Green	Deed variation to contract completed
Holbeach FEZ Phase 2	LCC	£6,367,839	Green	Contract still with applicants for review
Killingholme Pumping Station	NLC/Able	£4,328,032	Amber/ Green	Due diligence appraisal being considered today
Cycle Programme	GLLEP	£2,216,860	Green	Contract still with applicants for review
Skills Capital Fund Programme	GLLEP	£7,899,175	Green	One contract agreed and being signed Two contracts with applicants for review Due diligence for two schemes being reviewed today

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				One scheme to be submitted for due diligence
Lincoln Science & Innovation Park Phase 2	LSIP Ltd	£3,430,090	Green	Contract agreed and being signed
Fees 1%	GLLEP	£258,000	Green	Applied at programme level
Total		£25,800,000		
To Note: it was agreed by GL LEP Board on the 24 July 2020 that should any of the above prove undeliverable post due diligence or need to withdraw, the allocation would be subject to a change request to reallocate the funding to the Skills Capital Investment Fund which received a reduced allocation.				

2.2 Good progress continues to be made with the programme despite the tight timescales, and GL LEP funding agreements have issued to six of the schemes with necessary changes to the Centre for Innovation in Rural Health agreement now also completed.

3.3 Due diligence reports are being shared with the Investment Board for consideration to move to contracting stage for the following projects today:

Construction Centre Extension, Stamford College	Papers 3 and 3.1 attached
Holbeach Public Sector Hub, Boston College	Papers 4 and 4.1 attached
Killingholme Marshes Drainage Scheme, Able UK	Papers 5 and 5.1 attached

3.4 In order to meet the full £12.9m GBF spend target for 2021 Investment Board agreed in principle on the 19 January that a variety of previously used Freedom and flexibilities could be used on the basis of risk assessment and past performance. These will include:

- Increased intervention rate against eligible spend
- Identifying and utilising capital offset
- Advanced payments

A target for contracting £17.3m of the overall £25.8m grant programme by 31 March 2021 was endorsed.

3.6 In terms of risks and mitigation measures for the programme the following table provides an overview of concerns and suggested approach:

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Risk	Mitigation Measure	Deadline
Projects are unable to meet the GBF 50% spend target by 31 March 2021	LEP has agreed in principle freedoms and flexibilities with the accountable body and C&LG at APR and will apply as necessary at financial year end	31 March 2021
Projects remain uncontracted within the programme by 31 March 2021	<p>Programme is on track to meet agreed target of £17.3m contracted by 31 March 2021 with realistic timescales for delivery. Contracts have already been released/updated to seven applicants.</p> <p>Pending decisions on investment today, three more contracts could potentially be drafted and sent out by early March, leaving just one scheme to be reviewed by the investment board mid-end March post due diligence.</p>	1 April 2021 all GBF contracts to have been agreed with applicants
Procurement issues due to Brexit and Covid 19 impacts	LEP will work closely with applicants to ensure that any changes to procurement rules or delays due to Covid 19 can be planned for and resolved as soon as possible	Ongoing
APR target of 50% GBF or SLGF target of 100% spend is looking like it might not be met by March 2021 and there is a risk of government not releasing the full £12.9m allocation remaining to the LEP	LEP to continue to work with C&LG to update on progress made and provide reassurance & evidence that the March 2022 targets remain achievable using F&Fs for GBF programme.	Discussed at APR in February 31 March 2021

3.7 There will be no expenditure claimed in Q3 2020/21 for GBF and based on details provided by applicants to date we are predicting Q4 2020/21 claims will show around £4m of expenditure with £8.9m being achieved via freedoms and flexibilities.

4.0 SINGLE LOCAL GROWTH FUND

4.1 Project claims have been submitted for the October to December 2020 period and these have now been processed. The Quarter 3 Dashboard is due to be submitted to government on Friday 26th February and is with the S151 Officer for sign off. £7.6m had been expended to December 2020 accounting for project claims covering the period from April to September 2020. For the period October to December 2020, a further £7.4m has been released following full claims assessment.

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GETTING BUILDING FUND & SLGF UPDATE REPORT

4.2 You will note from the paper presented at the 5th August Investment Board that we discussed the remaining spend (£34m of grant) left to pay out to contracted projects. This was to be funded by the last tranche of SLGF from government (£18m) and with previous freedom and flexibilities and repaid monies. The position then identified 5% of our total programme grant will be spent post March 2021 and it was agreed that this would be covered by Offset. The table below shows the position in August:

Growth Deal Programme Position	SLGF Left to release	20/21	21/22
SLGF 20/21 Allocation (fully received)	£18.15	£18.15	-
SLGF OFFSET	£10.36	£3.15	£7.21
SLGF Reserve (from paid back monies)	£3.65	£3.65	-
SLGF In Year (20/21 Paid back/contract Variations)	£2.27	£2.27	-
TOTAL	£34.43	£27.23	£7.21

4.3 Four projects were identified with SLGF spend post 2021 to be covered by offset:

- The Bridge - £1.782million
- Grantham Southern Relief Road - £4.2million
- Sleaford Growth Phase 2 - £900K
- Unlocking Rural Housing - £380K

4.4 Following the Quarter 2 claim submission and updated project profiles the programme level changed.

Growth Deal Programme Position Q2	SLGF Left to release	20/21	21/22	22/23
SLGF 20/21 Allocation (fully received)	£18.15	£18.15	-	-
SLGF OFFSET	£10.36	£2.46	£7.24	£0.65
SLGF Reserve (from paid back monies)	£3.65	£3.65		
SLGF In Year (20/21 Paid back/contract Variations)	£2.27	£2.27	-	-
TOTAL	£34.43	£26.54	£7.24	£0.65

4.5 Analysis of changes - The table above showed that the programme would spend the SLGF yearly allocation of £18m and the repaid monies of £5.9m, however 4 projects identified some movement on the SLGF spend which impacted on the Offset used in each year as identified below:

Changes in yearly distribution of SLGF	20/21	21/22	22/23
Unlocking Rural Housing	£ 0.150	-£ 0.150	£ -
Advanced Engineering R and D Centre - (The Bridge)	-£ 0.013	-£ 0.640	£ 0.653
Grantham Southern Relief Road	-£ 0.794	£ 0.794	£ -
Sleaford growth Phase 2	-£ 0.032	£ 0.032	£ -
Total changes	-£ 0.689	£ 0.036	£ 0.653

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- 4.6 Although many of the projects are still profiling to complete by March 2021 there was slippage on costs on the forecasts for the Q2 and Q3 claims.
- 4.7 We agreed at the August Investment Board that if further lockdowns or Covid-19 related restrictions occur, and projects slipped further incurring spend post March 2021, that the LEP has delegated authority to work through any complexities quickly, coming back to the Investment Board should the expenditure of post 2020/21 offset exceed £10m.
- 4.8 The latest position does identify the potential for some further slippage on the original target.

Changes in yearly distribution of SLGF	20/21	21/22	Notes
GSRR	-£ 1.800	£ 1.800	Pending Phase 3 contract discussions.
Unlocking Rural Housing	-£ 0.060	£ 0.060	Boston Quadrant housing have adjusted when they think 6 of the units will be completed to golden brick.
A46/A15*	-£ 0.500	£ 0.500	The project is physically complete however they have not had the final bill through. The main contractor Breheny is agreeing costs with sub-contractors prior to submitting the final costs. Potential underspend overall on this project.
Europarc FEZ	-£ 0.114	£ 0.114	Again project complete but delays in billing.
Go Skegness*	-£ 0.120	£ 0.120	This is a potential underspend but is under review.
Huttoft Visitor Centre	-£ 0.050	£ 0.050	Continued issues with the contractor so potential slippage, but a relatively small amount of grant.
Borderville Extension	-£ 0.041	£ 0.041	Covid outbreak on site forced delays. Not a huge amount of grant. The building is near completion so potential for early release of funds.
Sleaford Ph1	-£ 0.015	£ 0.015	This is a potential underspend.
Total potential Changes	-£ 2.700	£ 2.700	

- 4.9 Considering the above analysis the increase in slippage could amount to a further £2.7m, taking the overall impact of post 2020/21 spend to £10.59m. This is slightly over the agreed limit with Investment Board; however there is the potential to reduce this figure if we use some freedom and flexibility by increasing intervention rates.
- 4.10 Grantham Southern Relief Road - Although Phase 1 works are complete and Phase 2 works will be completed in September 2021 the shift in spend profile predominately related to Phase 3 works, which are not scheduled to commence until spring 2021.
- 4.11 The target cost for Phase 3 was received in December 2020 and reviewed in January 2021. It was agreed at the 27th November Investment Board meeting that given the delays and slippage we recommend that we continue to pay at the agreed intervention rate and as and when the Phase 3 contract is agreed and awarded look

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GETTING BUILDING FUND & SLGF UPDATE REPORT

to release additional funding (up to 85% of the grant) by increasing the intervention rate. We now have confirmation that the target cost has been agreed and LCC will enter into a contract with the contractor. Another major milestone of installing the final bridge beams on the A1 as part of the Phase 2 works has also been achieved.

4.12 We are therefore recommending that we release up to the 85% of grant to GSRR, which would bring our spend position well within the 10million offset figure.

5.0 ANNUAL PERFORMANCE REVIEW (APR)

5.1 Greater Lincolnshire LEP held its APR with government on the 1st February 2021. C&LG confirmed our Indicative score as ‘met’ and updated on the mid-year review actions, all of which have been addressed. APR discussions were focused on governance, delivery and strategic impact and we await a final score outcome from government in the spring.

5.2 The following actions were agreed at the meeting:

Action	Action Point	Owner	Date to be completed - 2021
1	LEP to update on board appointment from University of Lincoln and any progress on an appointment to represent the Visitor Economy sector	LEP	28 February
2	LEP to update CLGU on progress on Grantham Southern Relief Road and the wider LGF programme at the next Investment Board meeting	LEP	26 February
3	LEP to update CLGU on progress on the Killingholme Marshes Drainage Scheme and the wider GBF programme at the next Investment Board meeting	LEP	26 February
4	CLGU to update on the allocation of Growth Hub core funding by 28 February	CLGU	28 February
5	LEP to update CLGU on progress on publication of the recovery plan	LEP	28 February
6	LEP to update CLGU on the results of the Pipeline Call	LEP	28 February
7	CLGU to review and respond to overview of additional transitional costs	CLGU	28 February

6.0 GLLEP & SIDP PIPELINE CALL

6.1 The closing date for the latest GLLEP Pipeline call was 16th February 2021. We received 101 outline business cases of which 59 relate to Strategic Infrastructure Development Plan (SIDP) considerations and 42 to all other types of priority sector related projects. The review process includes updated OBCs from existing pipeline schemes.

6.2 Projects are now being reviewed and the final analysis/prioritisation will be shared with the Investment Board on the 20th April 2021. The schemes form two categories, Category A (short-medium term) and Category B (long-term and concept), the majority of those submitted falling within category A.

6.3 SIDP specific outcomes will be strategically scored and moderated by representatives of the SIDP Working Group and will also be shared with the Greater Lincolnshire

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GETTING BUILDING FUND & SLGF UPDATE REPORT

Infrastructure Group and the Greater Lincolnshire Leaders and Chief Executives at a meeting in April.

7.0 CONCLUSION

7.1 The Board are asked to note progress of the GBF and SLGF programmes and to discuss the risks and mitigation measures identified.

PAPER 3 - SKILLS CAPITAL INVESTMENT PROGRAMME CONSTRUCTION CENTRE EXTENSION

Publication	Public Paper (published)					
Meeting date:	26 February 2021					
Agenda Item:	3					
Item Subject:	Skills Capital Investment Programme due diligence appraisal – Construction Centre Extension, Stamford College					
Author:	Halina Davies					
For:	Discussion	Yes	Decision	Yes	Information	

1. SUMMARY

- 1.1 This paper provides the Investment Board with a summary of the due diligence appraisal of the Construction Centre Extension scheme proposed by Stamford College and requests a decision with regard to progression to contracting stage.

2. BACKGROUND

- 2.1 On the 11 November 2020 the Investment Board approved a provisional grant allocation of £2,129,834 for this scheme to support delivery of the wider Getting Building Fund Skills Capital Investment Programme.
- 2.2 The project is one of six provisionally supported under the auspices of the Skills Capital Investment Programme.
- 2.3 The building and construction industries are evolving rapidly in response to automation and the increasing use of prefabrication. It is vital that FE colleges, which are the engine of training and skills development from level 1 to level 6, are equipped with industry-standard resources so that students of all ages are equipped with relevant and contemporary skills.

3. THE PROJECT

- 3.1 This project is for the extension of the Construction and Motor Vehicle building at Stamford College in response to increased demand for a skilled workforce in the construction and engineering sectors and substantial growth in student applications for courses in these subjects within further education (FE).
- 3.2 The Project to extend the Construction and Motor Vehicle Centre will create opportunities for future students, meet the needs of local employers, address local and regional skills gaps and directly contribute to the local, regional and national economies. Student recruitment to date at the college for the new academic year 2020/21 confirms on-going and substantial growth in construction and motor vehicle enrolments.
- 3.3 The scheme will both increase capacity and broaden the range of trades on offer to include the 'interior fit out' such as Painting & Decorating and Plastering and extend the levels offered from trade to technical up to Level 6, as well as position the College to respond effectively to the rapid evolution of the construction industry in response to Industry 4.0.
- 3.4 Extending and upgrading the Construction Skills and Motor Vehicle Centre which currently houses the College's Plumbing, Carpentry, Brickwork, Electrical and Automotive students and apprentices will enable the rapidly growing department to offer an innovative and employer-focused curriculum and accommodate forecast demand. The college will provide high quality full time, part time and apprenticeship courses ranging from entry level to technical level to a greater number of students and in an extended range of subjects. The project will build

PAPER 3 - SKILLS CAPITAL INVESTMENT PROGRAMME CONSTRUCTION CENTRE EXTENSION

flexible workspaces with an additional 400sqm of teaching and learning spaces for staff and students.

3.4 The extension of the existing building will provide the following accommodation:

- 4 additional classrooms/flexible workshop space.
- 2 large 100 sq m flexible workshop spaces.
- Study centre and independent learning area.
- Welfare facilities.
- Equipment storage building to maximise use of space on a flexible basis.
- Additional external hardstanding and interim facilities.
- Advanced technology equipment to be acquired for teaching latest innovation and processes.

3.5 The project will be procured utilising one of the public sector procurement frameworks available to the College as part of the Inspire Education Group (IEG). The College has also now decided that the works will be procured on a design and build basis.

4. FUNDING

4.1 LEP grant funding would be used to contribute towards:

- Workshop fixtures and fittings
- Classroom and Study Centre furniture
- IT equipment
- Building construction
- Project management and design fees

4.2 The project requires £2,683,934 of capital to be fully delivered with a Getting Building Fund grant allocation of £2,129,834.

4.3 Match funding of £554,100 has already been secured from the College's reserves, including sunk costs expended on consultants' fees and securing planning approval.

5. OUTPUTS

5.1 Due diligence has identified that the overall the package of outputs delivered by the scheme is considered to provide excellent value for money, this is because the focus of the Skills Capital Investment Programme is on the skills impact and number of learners in particular; all other outputs and outcomes are regarded as supplementary

5.2 The curriculum plan can be summarised as:

16 to 18 and 19 plus Existing Courses

- Bricklaying Levels 1 and 2.
- Carpentry and Joinery Levels 1, 2 and 3.
- Electrical Engineering Levels 1, 2 and 3.
- Plumbing Levels 1, 2 and 3.
- 18th Edition Wiring on a part time basis for adults', students and employers.

Existing Apprenticeships

- Property Maintenance Level 2.
- Plumbing and Domestic Heating Technician Levels 2 and 3.
- Installation Electrician/Maintenance Electrician Level 3.

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- Bricklaying Level 2.
- Gas Engineering Level 3.

New Courses

Active Qualifications to be introduced once centre built	Qualifications in development currently	Future qualifications - priorities identified by Awarding Organisations
6219 City and Guilds Multi Skills Qualification (re-introduce)		Construction T Level programmes - Building Services and Construction.
Construction Heritage Skills (6579) Heritage Apprentices standards	Heritage Stone masonry apprenticeship standard	Heritage Carpentry /roofing apprenticeship standard
Building Information Modelling (6073) City and Guilds		SMART construction qualifications.
DIGITAL Engineering Technician Apprenticeship Standard		Drone technology qualifications
Sustainable Construction (4677) City and Guilds		Manufacturing - timber framed apprenticeship standards
Green Deal Advisor (6066)		

5.3 The following outputs and outcomes would be delivered by this scheme:

- 2 jobs created
- £554,100 Private Sector Investment Leveraged
- 650sqm floorspace refurbished training/learning facilities
- 455 businesses assisted to improve performance
- 45 updated/modernised curriculums or courses
- 9 brand new curriculums/training courses
- 4775 learners on courses within key priority sectors
- 1495 learners as a result of this project securing jobs in a priority sector

6. PROJECT MILESTONES

6.1 The milestones that apply to the delivery of the project are:

- Planning permission - secured.
- Match funding - secured.
- Procurement process issued - February 2021.
- Procurement contracts awarded - March 2021.
- Construction start date - April 2021.
- Project completion date - October 2021.
- Start of core activity - November 2021.
- Completion of first trainees/learners - July 2022.

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7. DEMAND AND NEED

7.1 Construction courses have been popular and successful since their introduction at SC nearly 20 years ago and represent an area of strength for the College. From an original offering of only two courses with 65 students, the department has grown by 2019/20 to 305 full time students and 240 apprentices, with further growth already evident for 2020/21. The department has long outgrown the original workshop and classroom facilities block and has been using two large temporary marquees as workshop spaces. Students need new, purpose-built facilities with innovative workshops and classroom spaces to work and learn in and appropriate breakout and restroom facilities to support a large and an increasingly diverse community.

7.2 In order to help meet demand the college has even re-modelled a catering kitchen to provide additional electrical workshop space to accommodate 2019/20 growth and carried out further re-modelling of academic classrooms during summer 2020 to create additional workshop space for brickwork. Unfortunately even with this additional workshop space it may be necessary to cap student numbers this year and some students have already been placed on waiting lists.

8. RISK ANALYSIS AND DELIVERABILITY

8.1 The main risks associated with this project can be summarised as follows:

Risk	Owner	Probability	Impact	Mitigation	Condition of Funding Yes/No
Project costs higher than budgeted	VP Finance & Resources	1	2	Reduce the specification; value engineer the project	Yes - The College is to confirm that the project can be value engineered to bring this within budget without reducing any of the outputs, and/or the College to confirm that they will underwrite any additional costs
Delay in delivering the project	Director of IT & Resources	1	2	Consider partial opening	No - subject to ongoing monitoring with GL LEP
Not achieving anticipated growth in student numbers	Director of Curriculum	2	3	Ensure quality maintained	No - subject to ongoing monitoring with GL LEP

9. COMMENTS FROM THE ACCOUNTABLE BODY

9.1 The project fits well with the overall aspirations of the skills programme and appears to have been well researched showing clear demand. With planning and match secured and advanced design in place we would deem the project as lower risk and highly deliverable in the timeframes pending revised milestones following the tender process. We note the contract conditions and support the recommendation.

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10. CONDITIONS OF CONTRACT

10.1 The due diligence assessment has identified the following conditions to be satisfied as part of any Getting Building Fund approval:

Pre-Contracting

- An updated State Aid Report to be provided given the change in State Aid Legislation that came into effect in January 2021.
- The College to confirm that they will be responsible for meeting any additional/unforeseen costs associated with the delivery of the project, or that it will be value engineered without reducing any of the outputs that are detailed within this report.

Pre-Drawdown

- An updated programme to be provided for the delivery of the scheme, to demonstrate that it is deliverable within the programme set for the Skills Capital Investment Programme. This is also relevant given the current lockdown restrictions.
- A copy of the Report on Tenders to be provided for the scheme, to provide a final cost for the scheme, demonstrating that it can be delivered as proposed within this due diligence report.

11. RECOMMENDATION

11.1 It is recommended that the GL LEP Investment Board approves Skills Capital Investment Programme Grant Funding of £2,129,834 towards this project and progression to contracting.



Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Skills Capital Investment Programme

For

**Construction Centre Extension
Stamford College
Drift Road
Stamford**

**February 2021
Paper 3.1**

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APPENDICES

I	BUSINESS CASE AND KEY SUPPORTING DOCUMENTATION
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1.0 PROJECT SUMMARY AND PLANNING STATUS

The Project

- 1.1 A Detailed Business Case has been submitted by Stamford College for Skills Capital Investment Programme Funding, for the extension of the existing Construction and Motor Vehicle building within the college campus. The extended building will both increase student capacity and broaden the range of courses on offer, with additional courses available from trades to technical up to Level 6.
- 1.2 The Centre currently houses the College's Plumbing, Carpentry, Brickwork, Electrical and Automotive students and apprentices. Construction courses have been provided at the College for the last 20 years and have been and continue to be highly popular. Student numbers have grown from around 65 initially to currently 305 students and 240 apprentices, with further growth in 2020/2021 evident from the number of applications and enquires received.
- 1.3 The continued growth in demand for places on these courses, means that the College's facilities have been long outgrown and as such some teaching takes place in marquees, which were only intended to be temporary and simply cannot accommodate any additional student numbers or more innovative teaching methods.
- 1.4 New areas for curriculum development have also been identified, partly through employer engagement, along with the need to upgrade courses to include latest innovation. The College's curriculum will provide full and part-time apprenticeship courses ranging from entry level to technical level to a greater number of students and in an extended range of subjects.
- 1.5 The extension of the existing building will provide the following accommodation;
 - 4 additional classrooms/flexible workshop space.
 - 2 large 100 sq m flexible workshop spaces.
 - Study centre and independent learning area.
 - Welfare facilities.
 - Equipment storage building to maximise use of space on a flexible basis.
 - Additional external hardstanding and interim facilities.
 - Advanced technology equipment to be acquired for teaching latest innovation and processes.
- 1.6 The College acknowledge that there are seven further education colleges in Greater Lincolnshire, with three in South Lincolnshire that offer similar courses, along with another facility at the Peterborough College. Boston and Grantham Colleges are the closest to Stamford; however, issues of rurality and travel times mean that actual choice of places to learn is restricted and as such, all colleges are reporting significant growth in demand for courses and apprenticeships.
- 1.7 Specifically, the courses that will be provided at the Construction Centre are summarised as follows;

16 to 18 and 19 plus Courses - Existing

- Bricklaying Levels 1 and 2.
- Carpentry and Joinery Levels 1, 2 and 3.
- Electrical Engineering Levels 1, 2 and 3.

- Plumbing Levels 1, 2 and 3.
- 18th Edition Wiring on a part time basis for adults', students and employers.

Apprenticeships - Existing

- Property Maintenance Level 2.
- Plumbing and Domestic Heating Technician Levels 2 and 3.
- Installation Electrician/Maintenance Electrician Level 3.
- Bricklaying Level 2.
- Gas Engineering Level 3.

1.8 The new courses that will be provided at the construction centre are as follows;

Active Qualifications to be introduced once centre built	Qualifications in development currently	Future qualifications – priorities identified by Awarding Organisations
6219 City and Guilds Multi Skills Qualification (re-introduce)		Construction T Level programmes – Building Services and Construction.
Construction Heritage Skills (6579) Heritage Apprentices standards	Heritage Stone masonry apprenticeship standard	Heritage Carpentry /roofing apprenticeship standard
Building Information Modelling (6073) City and Guilds		SMART construction qualifications.
DIGITAL Engineering Technician Apprenticeship Standard		Drone technology qualifications
Sustainable Construction (4677) City and Guilds		Manufacturing – timber framed apprenticeship standards
Green Deal Advisor (6066)		

1.9 Upon completion of the Construction Centre, Stamford College will be solely responsible for the operation and providing the range of courses previously identified to be offered.

1.10 The detailed design of the scheme has been completed and approved by the Board of Governors. The scheme is now ready to commence to the tender process, subject to funding from GL LEP being approved.

Planning

- 1.11 Planning permission for the project has been secured with no onerous conditions attached and requiring to be addressed.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 Funding allocated to this project from GL LEP is £2,140,537, from which £10,703 is being retained for due diligence and administration costs, leaving net funding of £2,129,834 for the project.
- 2.2 Total capital costs are £2,683,934 with the balance of funding of £554,100, already secured from the College's reserves, including sunk costs expended on consultants' fees and securing planning approval.
- 2.3 Subject to funding being approved from the Skills Capital Programme, the project is fully funded and ready to proceed.

3.0 KEY ISSUES

- 3.1 The due diligence undertaken for this project has identified a small number of issues and queries, which have been raised with the College. The queries raised and responses provided are summarised below;
- i. Details of the new courses that will be provided and confirmation of those existing courses that will be upgraded – Further information has been provided and is detailed in Section 1 above.
 - ii. Updated position in relation to detailed design – This has been covered in Section 1 above.
 - iii. Confirmation of completing the detailed design process and obtaining realistic costings – This has been provided and is detailed within Section 6 of this report.
 - iv. Match funding provision – This has been confirmed as being secured and is therefore no longer an issue.
 - v. Planning status – Planning approval has been secured and is not an issue.
 - vi. State Aid compliance – A separate report has been provided and this is detailed further within this due diligence report.
 - vii. Delivery timescales and associated milestones – This information was provided within the Detailed Business Case and is detailed later within this due diligence report.
 - viii. Expected outputs and outcomes being delivered broken down annually, including supporting information as to how they have been determined – This has also been provided within the Detailed Business Case and is addressed within Section 10 of this report.
- 3.2 No other issues have been identified in relation to this project.

4.0 STRATEGIC FIT

4.1 The Business Case demonstrates that the project has strong strategic fit, with a high number of strategies of various organisations and the principle ones of these are summarised as follows;

i. The GL LEP Strategic Economic Plan 2014 to 2030 Refresh 2016 (SEP)

The SEP states that the LEP wants to work with University Technical Colleges, FE Colleges, Universities, private training providers and manufacturing/engineering and energy sector employers, to deliver an increase in low carbon apprenticeships. In addition, the SEP supports projects that will deliver adult training/employment opportunities and to support research and development and innovation. The remit and activities to be undertaken within the Construction Centre clearly support this strategy.

The project further supports the SEP in enabling continued development in its role as a strong local driver meeting local, regional and national economic needs with strong employer links throughout the region.

ii. Local Industrial Strategy (LIS)

The LIS acknowledges that based upon current forecasts, by 2041, the working age population will continue to reduce due to an ageing population and falling levels of inward migration. This reinforces the need to not only retain students and graduates, but also attract new residents to the area through being able to offer skilled employment opportunities.

The LIS also recognises the need to protect rural areas across South Lincolnshire from the continued outward migration of younger people and in part to assist with this by enabling a greater choice and range of educational and technical qualifications to be on offer locally.

Finally, the LIS recognises that as Greater Lincolnshire has some of the most rural and sparsely populated areas in the country. These areas often have poor transport links and it is fundamentally important that young people and adults are able to access local learning opportunities.

iii. South Kesteven Economic Intelligence Report 2019

This report recognised that level 2 and 3 qualifications are important to the district as these support learning progression on to the FE sector, which is vital in meeting workforce needs. The District Council are continuing dialogue with FE providers to ensure that subject areas and qualifications match labour market needs for skilled professions and businesses.

The Construction Centre Extension Project supports the District Council's strategy, as students completing lower-level educational courses have the opportunity to progress onto further education. Furthermore, the provision of apprenticeships and additional training for employees and employers, will help to sustain the sector and enable growth, due to the continued demand for skilled trades. This demand exists through new construction activity around major new residential schemes in the district and also to address the current skills shortage that exists.

4.2 There are a number of other strategies that the College states the project will support, which are listed as follows;

- GL LEP Consolidated Industrial Strategy Evidence Base July 2019 Version 3
- GL LEP Skills Advisory Panel Analysis Version 10, November 2019
- GL LEP Employment and Skills Board Action Plan 2018 to 2020
- Construction Skills Network Forecast 2019 to 2023
- Stamford First – Stamford Neighbourhood Action Plan August 2019
- Industry Insights – Construction Skills Network 2017 to 2021

4.3 The Project also supports a number of strategies promoted within Cambridgeshire and Peterborough given the College's close proximity to the border with these areas, although as these strategies are of less relevance to GL LEP they have not been listed within this due diligence.

5.0 MARKET ASSESSMENT

5.1 As previously referred, Stamford College is currently at capacity for the training, educational courses and apprenticeships provided within the existing Construction Centre and demand for places is continuing to rise.

5.2 Prior to embarking on determining proposals for the construction centre extension, the College have undertaken significant research to gather an evidence base upon which to underpin proposals for the scheme. In this regard, the following studies and research papers have been referred to within the Full Business Case;

- i. The Draft Skills Analysis for Greater Lincolnshire – The results of this paper identify that qualification levels tend to be lower in Greater Lincolnshire than nationally. For example, only 35% of those aged 25 to 39 years have qualifications at level 4 or above compared with 48% nationally.

Youth unemployment is consistently higher than the national average and there is a higher proportion of people that are economically inactive but do want to work, indicating that there is headroom within the labour market that remains untapped. The proposed project therefore has strong potential to support upskilling and reskilling in this population demographic.

- ii. Construction Skills Network Labour Market Intelligence 2018 to 2022 – This report details growth expectations in the East Midlands, which is forecast to have an annual average growth rate of 1.2% for construction output between 2019 to 2023. In order to meet this demand, there needs to be a readily available supply of suitably skilled labour, which already suffers with major shortages in supply.
- iii. GL LEP Employment and Skills Board Action Plan 2018 to 2020 – The core objectives of this strategy were to increase the number of businesses and young people participating in vocational education, and to ensure that there is a strong and high quality flexible and responsive local provision. This project supports the findings of the Action Plan.

5.3 In addition to the above research, Stamford College work closely with a wide range of employers in seeking to identify the comprehensive range of educational and training courses that are required to enable the construction sector to continue with

modernising and innovation. Relationships are currently established with, and consultations have been undertaken with the following companies;

- Persimmon Homes
- Lark Fleet Homes
- Taylor Wimpey (East Midlands)
- Lindum Group
- BGL Group
- Allied Building and Renovation Ltd
- PrinceBuild
- Alston Country Homes
- Belmark Builders Limited
- Broadgate Homes
- Carrs Construction
- Country View Building Services
- Craig Compton Builders Limited
- Custom Joinery Services
- DJC Construction
- Eyre Building Services Group
- Hardy Construction
- Hereward Homes
- Heritage Brick Block and Stone Ltd
- Ketton Stone Masonry and Fixing Ltd
- Orchard Building Contractors
- Various Electrical Contractors

5.4 The consultations undertaken are therefore across a broad range of construction trades, which have informed the design of facilities, courses and training to be undertaken within the proposed scheme. The review has also identified the need to enhance some of the existing curriculum so that it is in accordance with employers' requirements.

6.0 DEVELOPMENT APPRAISAL

6.1 A development appraisal for this scheme has not been undertaken on the basis that it is not a traditional property transaction, which will then be subject to a letting and investment disposal within the property market.

6.2 As the project forms part of the College's existing campus and will be retained for educational and training purposes, a brief review has been undertaken as to how costs have been estimated as part of this funding application and whether these costs are considered to be reasonable and realistic at this stage.

6.3 As referred, the scheme has progressed to a relatively advanced stage of design, to enable a planning application to be submitted, which has now been approved.

6.4 In order to achieve this, the College has appointed a professional project team who have prepared all plans as part of the design process and estimated costings for the delivery of the scheme. The costings have recently been reviewed following the completion of scheme design to a more advanced stage, which led to cost estimates being increased. In view of this the College has increased its match funding to ensure that the project remains deliverable.

6.5 The College has also now decided to tender the scheme for a contractor to undertake this on a design and build basis. The scheme has reached a stage of design that will enable the procurement process to commence upon approval of GL LEP funding.

6.6 It is however recommended that the College provides a copy of the lowest tender and report on tenders to demonstrate that the scheme can be delivered as proposed within the Detailed Business Case.

7.0 DELIVERABILITY AND PROGRAMME

7.1 A programme for the delivery of the project has been provided as supplementary information to the Business Case, reflecting the progress made to date with the project.

The additional information also requires to be updated upon appointment of the contractor and therefore the indicative programme for delivery of the scheme is as follows;

- Procurement process issued February 2021.
- Procurement contract awarded February/March 2021.
- Construction start date April 2021.
- Project completion date October 2021.
- Commencement of core activity and training November 2021.
- Completion of training of first trainees/learners July 2022.

7.2 Clearly the above programme allows little room for slippage in terms of meeting the programme specified and it is also unclear at this time whether the current lockdown will have any further impacts on programme for delivery of the scheme. However as the Skills Capital Funding Programme ends in March 2022, there should be sufficient time for the scheme to complete within this, even allowing for any unforeseen delays.

7.3 It is hereby recommended that an updated programme for delivery of the scheme and profile of drawdown of funding is provided once the scheme has completed the competitive tender process.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

8.1 State Aid advice has been provided by Eversheds Sutherland on behalf of the College. It is noted that the State Aid Report is dated 2nd December 2020 and states that the State Aid advice provided is only relevant in relation to the State Aid regime prior to the changes that came into effect on 1st January 2021.

8.2 The findings of the report were that the Skills Capital Programme Funding should not give rise to State Aid issues, based on the fact that the College is not considered to be an economic undertaking in the context of the project. Furthermore, the activities to which the funding is applied are considered to be non-economic in nature and thus outside of the ambit of the State Aid regime.

8.3 Even where there is an element of economic use, it is considered that such use would be purely ancillary in nature in context with the overall capacity of the College, in terms of it engaging in non-economic and economic activities, and thus, also outside of the State Aid regime.

8.4 Thomas Lister are aware of the changes to the State Aid Legislation, which came into effect in January 2021, which primarily continues to exempt non-economic undertakings from being caught by the legislation.

8.5 The new State Aid governing provisions however, do require compliance with the EC Treaty and State Aid Regulations within the EC and various member states.

8.6 Thomas Lister are not State Aid experts and it is therefore recommended that as a condition of investment, updated State Aid advice is obtained by the College to clarify this position.

9.0 PROCUREMENT

9.1 The College has confirmed that the project will be procured utilising one of the public sector procurement frameworks available to the College as part of the Inspire Education Group (IEG). The works will therefore be procured utilising one of the following;

- Crescent Procurement Consortium (for Colleges).
- SCAPE (local authority building framework).
- Crown Procurement Services.
- PAGABO (education).

9.2 The College has also now decided that the works will be procured on a design and build basis, as this is a standalone building, although will be subject to governance by way of an independent quantity surveyor now in post.

9.3 Therefore, there are no issues with the intended procurement approach for this scheme.

10.0 OUTPUTS AND VALUE FOR MONEY

10.1 The outputs anticipated to be deliverable by this scheme are detailed in the table below;

Forecast Outputs							
	2020/21	2021/22	2022/23	2023/24	2024/25	Future Years	Total
i) Core Outputs (Strategic Economic Plan)							
Private Sector Investment Leveraged (£)	18,000	536,100					554,100
Number of new Jobs Created (gross)		1	1				2
ii) Local Strategic Outputs							
New training/learning space refurbished/construction (sqm)		650 sqm					650 sqm
Number of businesses assisted to improve performance		350	375	400	430	455	455
Number of learners supported within and for priority sectors		832	959	1040	1138	1194 pa	4775
Number of brand new curriculums/training courses		1	3	5			9

Number of updated/modernised curriculums or courses		10	15	20			45
Number of learners as a result of this project securing jobs in a priority sectors (47% of leavers + apprentices)			366	389	391	414 per annum	1495

10.2 Based upon the outputs, the value for money of the scheme is assessed to be as follows;

- i. Private Sector Investment Leveraged – Funding from the College has been secured at £554,100, which equates to a leverage ratio of 3.84:1. It is noted that this falls below a standard benchmark for investment leverage of 1:2; however, as it is public investment in educational facilities, it is nonetheless important as it reduces reliance on the Skills Capital Funding Programme from GL LEP.

It is further noted that private sector investment in educational institutions that are run on a not for profit basis, do not attract high levels of private sector investment and is not therefore deemed to be a value for money issue. Also, the primary remit of the Skills Capital Funding Programme is to generate new curriculums and learning opportunities as opposed to investment leverage.

- ii. New Jobs Created – 2 new jobs created at £1,064,917 per job, is not value for money; however, new jobs created are not a primary output of this project.
- iii. New Learning Space Constructed - at 650 sq m, this equates to a cost of £3,277 per sq m, which is higher than standard benchmark costs of the DfE for new educational space. The relatively high costs reflect the fact that the scheme incorporates innovative and bespoke design for the construction sector along with the purchase of capital equipment, and would therefore be expected to be higher than standard benchmarks for standard educational teaching space.
- iv. Number of Businesses Assisted to Improve Performance - at 455, equates to a cost of £4,680 per business, which is excellent value for money.
- v. Number of New Learners Supported - at 4,775, equates to £446 per learner, which is excellent value for money.
- vi. Brand New Curriculums/Training Courses – at 9, equates to a cost of £236,648 per course, which is considered to be reasonable value for money.
- vii. Number of Updated Curriculum/Course – at 45, equates to £47,330 per course, which is reasonable value for money.
- viii. Number of Learners Securing Jobs in a Priority Sectors – at 1,495, equates to £1,445 per learner, which is excellent value for money.

10.3 Based upon the extensive package of outputs that will be delivered as part of this project overall, along with the other wider benefits that will be delivered, the scheme is considered to provide excellent value for money.

11.0 MILESTONES

11.1 Key milestones presented for the delivery of this project are as follows;

- Planning permission – secured.
- Match funding – secured.
- Procurement process issued – February 2021.
- Procurement contracts awarded – March 2021.
- Construction start date – April 2021.
- Project completion date – October 2021.
- Start of core activity – November 2021.
- Completion of first trainees/learners – July 2022.

11.2 Whilst it is understood that the milestones provided for the delivery of this project have recently been updated, it is considered that timescales for delivery, particularly the leading time for the tendering process, are relatively short. It is therefore recommended that a detailed programme for the delivery of the project is provided once the competitive tender process has been completed. This should also take into account any impacts from the current national lockdown restrictions in place.

12.0 RISK ASSESSMENT

12.1 The key risks identified with the delivery of this project are detailed in the table below;

Risk	Owner	Probability	Impact	Mitigation	Condition of Funding Yes/No
Project costs higher than budgeted	VP Finance & Resources	1	2	Reduce the specification; value engineer the project	Yes – The College is to confirm that the project can be value engineered to bring this within budget without reducing any of the outputs, and/or the College to confirm that they will underwrite any additional costs
Delay in delivering the project	Director of IT & Resources	1	2	Consider partial opening	No – subject to ongoing monitoring with GL LEP
Not achieving anticipated growth in student numbers	Director of Curriculum	2	3	Ensure quality maintained	No – subject to ongoing monitoring with GL LEP

12.2 On the basis that the scheme is at a relatively advanced stage, no major risks have been identified with the project at this time. The primary risk therefore, relates to costs increasing over the current budget, which may in part be due to the ongoing COVID-19 pandemic and this will require to be closely monitored by the College. It is noted however, that the Council have sought external cost advice in relation to the scheme

and have already increased the project costs and their element of funding in view of the advice received.

12.3 Overall, therefore any further cost increases should be relatively low risk.

13.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

13.1 The following conditions are recommended to be attached to any offer of funding to the College as follows;

- i. An updated State Aid Report to be provided given the change in State Aid Legislation that came into effect in January 2021 – pre-contract condition.
- ii. The College to confirm that they will be responsible for meeting any additional/unforeseen costs associated with the delivery of the project, or that it will be value engineered without reducing any of the outputs that are detailed within this report – pre-contract condition.
- iii. An updated programme to be provided for the delivery of the scheme, to demonstrate that it is deliverable within the programme set for the Skills Capital Investment Programme. This is also relevant given the current lockdown restrictions – pre-drawdown condition.
- iv. A copy of the Report on Tenders to be provided for the scheme, to provide a final cost for the scheme, demonstrating that it can be delivered as proposed within this due diligence report – pre-drawdown condition.

14.0 CONCLUSIONS

14.1 The project proposed by Stamford College is to provide an innovative and employer focused learning and training facility, increasing both capacity and extent of the range of trades currently on offer at the College.

14.2 Courses in the Construction Centre have been long oversubscribed and the College has had to rely on temporary space being provided within the college campus so as to accommodate growing demand for its curriculum. This temporary space is now also at capacity and the College are having to turn away students due to the constraints with its campus facilities.

14.3 In addition, the construction sector has continued to evolve and innovate and based upon direct engagement with a wide number of employers, the College has recognised it needs to provide new curriculum along with enhancing existing courses. In order to meet current skills gaps and help to sustain the construction sector, students and apprentices need to be equipped with qualifications that meet the demands of industry.

14.4 Importantly, the project also has the potential to address wider socio-economic issues facing Stamford and the wider Lincolnshire area, in providing education at the forefront of technological innovation and upskilling the local workforces, retaining students and reducing outward migration.

14.5 The proposed project will therefore assist in addressing these issues over the longer term, meeting current and forecast growth in demand for placements at the College.

- 14.6 The scheme has progressed to a relatively advanced stage, with planning permission and is sufficiently advanced to proceed to tender once funding from GL LEP is approved.
- 14.7 Subject to approval of GL LEP Funding therefore, the scheme should be in a position to commence on site in April 2021, with practical completion forecast by the end of 2021, subject to a revised programme being provided.

15.0 RECOMMENDATIONS

- 15.1 It is hereby recommended that the GL LEP Funding of £2,140,537 is awarded to this project, of which £10,703 will be retained by GL LEP to meet administration costs. The net grant contribution from GL LEP for this project is therefore £2,129,834, subject to conditions noted in Section 13 of this report.

Produced by:



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PAPER 4 - SKILLS CAPITAL INVESTMENT PROGRAMME

HORNCASTLE PUBLIC SECTOR HUB

Publication	Public Paper (published)					
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Agenda Item:	4					
Item Subject:	Skills Capital Investment Programme due diligence appraisal – Horncastle Public Sector Hub, Boston College					
Author:	Halina Davies					
For:	Discussion	Yes	Decision	Yes	Information	

1. SUMMARY

- 1.1 This paper provides the Investment Board with a summary of the due diligence appraisal of the Horncastle Public Sector Hub scheme proposed by Boston College and requests a decision with regard to progression to contracting stage.

2. BACKGROUND

- 2.1 On the 11 November 2020 the Investment Board approved a provisional grant allocation of £1,256,495 for this scheme to support delivery of the wider Getting Building Fund Skills Capital Investment Programme. Following recent reconciliation of the overall GBF programme a grant allocation of £1,231,490 is all that can be offered to the scheme at due diligence stage.
- 2.2 The project is one of six provisionally supported under the auspices of the Skills Capital Investment Programme.
- 2.3 Boston College in partnership with East Lindsey District Council is looking to bring forward a new education facility to ensure that East Lindsey residents can access better quality learning provision at a local level. This is crucial to helping provide East Lindsey businesses with access to a pool of talented individuals that have the skills they need to help them grow and boost the local economy and will directly improve access to learning and enhance local workforce development.

3. THE PROJECT

- 3.1 This project will construct 400m² of new learning space in Horncastle, drawing on an estimated catchment of 6000 post 16 individuals in East Lindsey who are currently learning elsewhere, as well as adults not currently engaging in training. The new facility will be operated by Boston College as part of an integrated Public Sector Hub that will include a number of other strategic partners. The course provision will be linked to the requirements of local employers and adults and includes a focus on digital skills in line with the GLLEP's Local Industrial Strategy and the findings of the 2018 CBI / Pearson employer skills survey.
- 3.2 The LEP's investment will form one part of the delivery of a larger integrated public sector hub development on the site that will construct 2,275m² of new multi-user floor space in total. Enabling the more efficient delivery of public, health and education services by lead partners in the District for the benefit of local communities and economies. The College has agreed with East Lindsey District Council to operate the new learning space under a 25-year lease, with five year break clauses.
- 3.3 The fit out of the new learning space at Horncastle will include tailored facilities to enable new learning opportunities to be delivered around digital skills, in line with the Local Industrial Strategy and one of the LEP's recognised priority growth sectors.

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3.4 It is programmed that the new learning provision in Horncastle will be operational from January 2022. The project's specific outcomes will be to:

- Address the lack of post 16 and specialist educational provision in East Lindsey District and the decline in adult education participation for the benefit of the local and regional economy;
- Enable local and regional businesses to access training to meet their skills needs locally, and enable them to grow, increase productivity, create more jobs and add value to the local economy;
- Support more businesses to meet their current and future skills needs ensuring that there is a sufficiently skilled and well trained workforce in the county;
- Create a supportive environment for new businesses to thrive;
- Deliver added value for the Greater Lincolnshire economy;
- Increase the number and the range of apprenticeships that are offered which will benefit local employers.

3.5 As has been highlighted in writing to the LEP by local councillors it will be important for Boston College to engage with Lincolnshire County Council (LCC) with regards to the need analysis behind the proposal and how it might affect existing 16-19 provision.

4. FUNDING

4.1 The LEP funding will be specifically targeted towards the provision of a dedicated Further Education College suite as part of the overall build programme to address a recognised cold spot for post 16 delivery. The new bespoke facilities and curriculum provision on site will be targeted towards courses which meet the skills gaps in the local industrial strategy for example, digital skills, business skills; adult learners (post 19 year olds) and specialist apprenticeships that meet the need and demands of local employers in key sectors and future curriculum policy opportunities. This facility will enable timely and convenient training support to be given to local employers post-Covid.

4.2 The LEP grant will cover:

- The construction and fit out of new leasehold accommodation to deliver new FE and adult learning provision. This will consist of 4 classrooms; one reception / open hub area, with refreshment facilities and 1 digital innovation computer based classroom.
- An apportionment of external or off site enabling works, such as Highways improvements, car parking and utility enhancements to deliver the proposed scheme - in line with completed impact assessments and site survey recommendations.

4.3 All costs relating to the site acquisition, pre-construction work and provision of office accommodation for the public sector partners will be covered by ELDC. The balance of revenue costs to undertake all planning and environmental services required to progress the scheme to detailed planning consent will be met by ELDC, via a direct supplier appointment under the national Built Environment Consultancy Services (BECS) framework.

4.4 The project requires £7,937,034 of capital to be fully delivered with a Getting Building Fund grant allocation of £1,231,490.

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4.5 In terms of match funding Boston College has approved a capital contribution of £80,000 from College reserves to meet the costs of internal fit out. Therefore total funding secured for the delivery of the Public Sector Hub is £8,041,490; however the surplus over costs of £104,456 will be retained as an additional contingency to cover project management fees incurred by ELDC and any unforeseen costs arising on the delivery of the scheme

5. OUTPUTS

5.1 Due diligence has identified that the overall the package of outputs delivered by the scheme is considered to provide good value for money on the basis that the VFM assessment for the Skills Capital Investment Programme focuses on new learners supported and skills provision.

5.2 The curriculum plan (more details provided in the due diligence report) can be summarised as:

Boston College Horncastle Hub

Course Title	Numbers on course in Horncastle					Total
	22/23	23/24	24/25	25/26	26/27	
Digital Upskilling	45	85	130	160	170	590
Employment and Career Prep	50	80	110	110	120	470
Customer Service	20	40	60	60	60	240
Leadership and Management	10	20	30	30	30	120
Accounting and Book Keeping	10	15	30	30	31	116
Total Numbers per year	135	240	360	390	411	1536

5.3 The following outputs and outcomes would be delivered by this scheme:

- 2 jobs created
- £80,000 Private Sector Investment Leveraged
- £6,730,000 Public Sector Investment Leveraged
- 400sqm floorspace refurbished training/learning facilities
- 15 businesses assisted to improve performance
- 24 new businesses created
- 45 updated/modernised curriculums or courses
- 6 brand new curriculums/training courses
- 1536 learners on courses within key priority sectors
- 15 learners as a result of this project securing jobs in a priority sector

6. PROJECT MILESTONES

6.1 The milestones that apply to the delivery of the project are:

- Planning permission secured - Already in place.
- Procurement contracts awarded - Pre-construction RIBA Stage 4, completed on 28th August 2020.
- Discharge of pre-start planning conditions - 26th February 2021.
- Agreement for lease and lease between Boston College and ELDC - to be executed by 26th February 2021.
- Build Contract between ELDC and Willmott Dixon - To be executed by 26th February 2021.

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- Project start on site - March 2021.
- GBF Project completion date - 31st March 2022
- Internal fit out - April 2022 to August 2022.
- Start of core activity - September 2022.

7. DEMAND AND NEED

7.1 At present students who wish to access further education are compelled to travel a significance distance to Lincoln, Boston, Grimsby or Scunthorpe. None can be reached easily by public transport. This adversely affects participation rates and educational attainment. The local employer's message is that this problem needs to be addressed urgently and therefore a new integrated service hub that can deliver a wide range of academic and vocational courses which are accredited up to degree level is an ideal solution. In general, the area experiences significant outflows of talented young people and local businesses find it very difficult to animate career pathways to school age students given the lack of careers advice within schools. A low proportion of East Lindsey's working age population is qualified to NVQ Level 4.

7.2 The college's assessment of the further education market (which is based on a detailed analysis of student demographics, travel patterns, expressed demand, and existing provision) is that there is a strong latent demand in East Lindsey for adult education and higher levels of learning, especially in the fields of IT and computing, business studies including leadership and management and customer service and access to HE courses.

8. RISK ANALYSIS AND DELIVERABILITY

8.1 The main risks associated with this project can be summarised as follows:

Risk	Owner	Probability	Impact	Mitigation	Condition of Funding Yes/No
Final costs confirmed by Willmott Dixon exceeds the budget	ELDC	Low	High	The scheme will be required to be subject to value engineering in order to bring the project within budget.	Yes - pre-drawdown condition, the College to confirm that the project is within budget and can proceed as proposed.
Unforeseen items arising whilst on site	ELDC	Medium	High	A contingency is included within the project costs. If the contingency is exceeded, variations to the scheme may be required in order to bring it into budget.	No - subject to monitoring and cost management by ELDC.
Scheme encounters delays during the construction process or due to impacts of COVID-19	ELDC	Medium	High	The scheme is at an advanced stage and Willmott Dixon through their procurement have a supplier network and are currently in liaison with various	No - subject to ongoing monitoring.

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				trades so as to minimise any potential disruption during the contract.	
The new education facility does not successfully establish and the College terminate the lease.	The College	Low	High	The College has the ability to terminate the lease if the scheme fails and would be responsible for repayment of grant if outputs have not been delivered.	No - subject to ongoing monitoring with GL LEP.

9. COMMENTS FROM THE ACCOUNTABLE BODY

9.1 The project is clearly of strategic benefit and provides good value for money. In normal circumstances the project would be submitted by the organisation completing the build however the bidding round only allowed for applications from colleges and training providers.

9.2 On further consultation with Thomas Lister we have ascertained that ELDC are unable to renege on the 25 year lease with Boston College and note the set up that ELDC will act as accountable body on behalf of the college due to them undertaking the works. Although the risk is low should Boston College only serve a 5 year term of the lease, ELDC would appear to have the right to use the building space for non-Training/skills purposes. Equally, Boston College are tied in for 5 years of delivery on outputs and there is the risk, described as "Low" in the due diligence report, that long term training provision may not remain. The board may wish to consider whether additional clauses/agreements should be incorporated within the contract; whilst this would protect the LEP's intended training and learning outcomes it could delay the contracting and spend on the project which in turn would have a negative impact on the LEP's reputation.

10. CONDITIONS OF CONTRACT

10.1 The due diligence assessment has identified the following conditions to be satisfied as part of any Getting Building Fund approval:

Pre-Contracting

- The College is to provide written evidence via ELDC, to confirm that the Public Sector Hub and educational facility for the College is being delivered in accordance with the project budget and funds available. This information is also required to demonstrate that the Skills Capital Programme funding is contributing towards Boston College's facility only and is not subsidising build costs for other aspects of the scheme to be occupied by others.

Pre-Drawdown

- An updated programme to be provided for the delivery of the scheme once the construction contract has been entered into with Willmott Dixon to demonstrate that the scheme can be delivered within the required programme.

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Post Contracting

- That a Strategic Curriculum Steering Group to include Lincolnshire County Council representation is established by Boston College to review needs analysis and existing 16-19 provision.

11. RECOMMENDATION

11.1 It is recommended that the GL LEP Investment Board approves Skills Capital Investment Programme Grant Funding of £1,231,490 towards this project and progression to contracting.



Greater Lincolnshire Local Enterprise Partnership

Due Diligence Assessment

In Respect of

Skills Capital Investment Programme

For

**Public Sector Hub FE College Horncastle
Mareham Road
Horncastle
Lincolnshire**

**February 2021
Paper 4.1**

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APPENDICES

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1.0 PROJECT SUMMARY AND PLANNING STATUS

The Project

- 1.1 A Detailed Business Case has been submitted by Boston College seeking £1,643,000 of Skills Capital Investment Programme Funding, to contribute towards the construction of a new education facility within a larger Public Sector Hub building. Boston College will occupy the ground floor suite within this building, as 16+ and adult learning teaching space as part of overall Boston College educational offer.
- 1.2 Due to limitation the budget for Skills Capital Funding Programme Funding, the maximum amount of grant funding available for this project is £1,231,490.
- 1.3 The need to provide additional teaching space remotely from the main Boston College Campus and being situated in Horncastle, has been established given the lack of any teaching and training facilities that will provide tailored courses and new learning opportunities to be delivered around digital skills, business studies including leadership and management and customer service, specifically for post sixteen and adult learners. The facility will also offer access to training courses for use by employers within the East Lindsey District area.
- 1.4 The Public Sector Hub development will provide 2,275 sq m of new multi user floorspace in total. The purpose of the building is to enable the more efficient delivery of public, health and education services by lead partners in the district for the benefit of local communities and local and wider surrounding economies.
- 1.5 East Lindsey District Council (ELDC) have acquired land within a larger site from Lincolnshire County Council and have secured £6.73 million in order to enable the delivery of the Public Sector Hub.
- 1.6 It is noted that part of the wider site at Horncastle will be retained by Lincolnshire County Council, who are intending to refurbish the remaining existing accommodation on the site to deliver supported living accommodation. Overall, therefore, the subject scheme will assist in the comprehensive development of a prominent brownfield site to be delivered, by way of integrated partner investment, resulting in a range of activities and benefits to be provided to the surrounding local Horncastle area and surrounding rural communities in the East Lindsey hinterland.
- 1.7 Given the proximity of the site to the centre of the town of Horncastle, the proposed redevelopment overall provides a further opportunity to increase local high street footfall and expenditure. It is estimated that the Council offices within the Public Sector Hub will accommodate up to 450 staff and along with learners on site each week day, means the scheme will provide a direct benefit to the local high street by intentionally increasing footfall and bringing back into use an underutilised brownfield site.
- 1.8 As referred, Boston College will occupy the ground floor suite, which will extend across 400 sq m. The suite will provide four classrooms with access to additional theatre and conferencing facilities. Each classroom will have a capacity to accommodate 24 learners and by timetabling around employer requirements, education and training may be delivered between 9.00am and 9.00pm.

- 1.9 Adult education and training courses will be provided in the fields of IT and computing, business studies including leadership and management and customer service, along with access to higher education courses.
- 1.10 The new facility in Horncastle is intended to operate as a satellite facility to the main College and will be modelled on the Spalding Campus, given impacts that it has had in encouraging engagement with higher education.
- 1.11 In order to successfully establish the new facility in Horncastle, the College are intending to work with other stakeholders to tailor future course provision to address the needs of the local business community. The College has therefore utilised its existing business engagement network, including the Council's Rural Lincolnshire Enterprise Hub.
- 1.12 Through engagement with these networks and the Lincolnshire Hub, the College will be seeking to provide adult learning opportunities within digital skills, to help to tackle the high number of people already in the work place who have lower-level skills. In particular, additional weekend and seasonal access will support the delivery of specialist apprenticeships that support local industries. The College, in designing the Horncastle satellite facility have undertaken this to ensure that there is limited displacement in current activity, as the new courses to be provided will be targeted to address local need and demand, rather than simply competing with higher volume, lower value activity elsewhere.
- 1.13 Ultimately, the College are seeking to assist the local population move closer to national averages on higher level skills attainment. The project should enable better links between local businesses and the College to be fostered so as to promote local employment and career development opportunities.
- 1.14 Specifically, the education and training courses that will be provided at the Horncastle facility are as follows;

Boston College Horncastle Hub	Numbers on course in Horncastle					
	22/23	23/24	24/25	25/26	26/27	
Course Title						
Digital Upskilling	45	85	130	160	170	
Employment and career prep	50	80	110	110	120	
Customer service	20	40	60	60	60	
Leadership and Management	10	20	30	30	30	
Accounting and Book keeping	10	15	30	30	31	
Total Numbers per year	135	240	360	390	411	1536
<i>Total numbers declared in bid</i>	<i>192</i>	<i>192</i>	<i>300</i>	<i>400</i>	<i>452</i>	<i>1536</i>
	-57	48	60	-10	-41	0
<i>Numbers of new courses declared in bid</i>	<i>1</i>	<i>1</i>	<i>2</i>	<i>2</i>		<i>6</i>
Basic IT - PCDL LCC £100						

NOCN Level 1 IT Users Award including WordProcessing - L5024627, Powerpoint Prensations - K5024621 and Excel Spreadsheets - A5024624 £400	
Essential Digital Skills Entry 3 - 60359857 £300	
Essential Digital Skills Level 1 60359869 £300	
Employment and Skills Training -NOCN L 1 Award Skills for Employment, Training and Personal Development (6 Credits) £300. OR L1 Certificate (18 credits) £724	Employment
Customer Service PCDL (12HRS) L1	PCDL
ILM Level 2 Award 6005928X - 8000-11 /Certificate 6005962X in Leadership and Team Skills	ESF or Commercial
ILM Level 3 Certificate in Principles of Leadership and Management QAN 601/3699/6	Prog from L2 ESF or Commercial
Computerised Bookkeeping PCDL (12 hrs) L1	PCDL
Access Award in Bookkeeping L1 (12 weeks 36 hrs) 60313080	ESF
Foundation Certificate in Accounting L2 (34 weeks 102 hrs) 60165522	AEB

- 1.15 Upon the completion of the works, Boston College will be solely responsible for operating the suite, albeit working alongside a number of partners, with occupation of the space by way of 25 year lease granted at a peppercorn rent.
- 1.16 A copy of the Heads of Terms has been provided for the lease, and it is noted that the lease will include provision for a rent review of any additional rent that becomes chargeable at the end of every third year of the lease term, along with tenant only break clause capable of being operated at the end of every fifth term. It is also noted that the lease has no security of tenure, which means that at the end of the 25 year period, the lease will automatically terminate with no ability for a new lease to be requested. Boston College will be required to vacate the building upon expiry of the lease.
- 1.17 Effectively therefore, the funding from the Skills Capital Programme is contributing towards the capital costs of constructing the building. In lieu of this contribution, Boston College will not be paying any rent over the 25 year term, save for any circumstances whereby the College request additional fitout works to be undertaken to the building which exceed the current total costs of the College's project. This is reviewed in further detail within Section 6 of this report.
- 1.18 The funding sought under the Skills Capital Programme will therefore be utilised to contribute towards the construction of the Public Sector Hub building based on an estimate of costs specifically to construct the Education Suite along with a contribution towards the provision of external facilities.
- 1.19 Match funding secured by Boston College will be utilised to meet the costs of fitout of furniture and purchase of all equipment required for learning purposes.
- 1.20 The College will also be responsible for contributing towards maintenance and management costs of the facility in accordance with the proportion of space that is

occupied by the College within the overall building, with ELDC being responsible for overall management and maintenance.

Planning

- 1.21 ELDC have secured full planning permission for the Public Sector Hub with no unusual or onerous conditions required to be satisfied prior to development being able to commence. The scheme has also advanced to a detailed stage of design, having completed RIBA Stage 4. Subject to Skills Capital Funding being approved by GL LEP, the scheme is in a position to be able to proceed to the formal appointment of the selected contractor, Wilmott Dixon.

2.0 FUNDING SOUGHT AND STATUS OF MATCH FUNDING

- 2.1 Total scheme costs are currently estimated at £7,937,034, including the acquisition of the site. ELDC have secured £6,730,000 from capital reserves and borrowing.
- 2.2 Grant funding available from the Skills Capital Programme is £1,231,490.
- 2.3 Boston College has approved a capital contribution of £80,000 approved from College reserves to meet the costs of internal fitout.
- 2.4 Therefore, total funding secured for the delivery of the Public Sector Hub is £8,041,490.

Total funding in place if GL LEP investment is approved therefore provides for a surplus over costs of £104,456. This surplus will be retained as an additional contingency to cover project management fees incurred by ELDC and also in the event of further unforeseen costs arising on the delivery of the scheme. The surplus equated to 1.31% of construction costs and is reasonable for a scheme of this scale and nature.

- 2.5 As referred, ELDC's match funding is from a mix of Council capital reserves and borrowings. It is therefore recommended as a condition of any funding approved that written confirmation is provided by ELDC, confirming that all match funding required for the delivery of the project as detailed within the Business Case application has been secured.

3.0 KEY ISSUES

- 3.1 The due diligence undertaken for this project has identified a number of issues and queries, which have been raised with the College. The queries raised and the responses provided are summarised below;
- i. Wider strategic impacts of the project to be provided in further detail – This is detailed fully within the Strategic Fit section of this report.
 - ii. Updated position in relation to detailed design – This has been covered in Section 1 above.
 - iii. Confirmation required as to latest scheme costs and funding secured – this has been detailed in Section 2 above.

- iv. Match funding provision – This has been confirmed as being secured; however written confirmation is recommended to be requested from ELDC as detailed in Section 2 of this report.
- v. Planning status – Planning permission is now in place and a copy of the Decision Notice provided.
- vi. Land acquisition by ELDC completed – This has been confirmed and a copy of the Land Purchase Transfer provided.
- vii. State Aid compliance – A separate report has been provided and this is detailed further within this due diligence report.
- viii. Delivery timescales and associated milestones – This information was provided within the detailed Business Case and is detailed later within this due diligence report.
- ix. Expected outputs and outcomes being delivered broken down annually, including supporting information as to how they have been determined – This has also been provided within the detailed Business Case and is addressed within Section 10 of this report.
- x. A schedule of the fitout works to be undertaken requires to be provided – Boston College has provided this and it is detailed in Section 6 of this report.
- xi. Confirmation of the new and updated courses and training to be provided at the College is required – This has now been provided and is detailed within Section 1 of this report.
- xii. Clarification on project costs for the construction of the educational facility and the Public Sector Hub building as a whole, given that these were subject to a review – This information has now been provided and is detailed within Section 6 of this report.
- xiii. Clarification as to why the College has entered into a contracted-out lease – This information has been provided and is detailed within Section 6 of this report.
- xiv. Clarification that the College will be responsible for repayment of any grant to GL LEP in the event that the College terminate the lease even if this was at the first five years of occupation. Clarification has been provided by the College and is detailed fully within Section 6 of this report.

3.2 No other issues have been identified in relation to this project.

4.0 STRATEGIC FIT

4.1 The project has been identified to have strong strategic fit, which is summarised as follows;

- i. GL LEP Strategic Economic Plan (SEP) – One of the key issues presented within the SEP was that through engagement with the community and GL LEP, there were identified skills gaps, which presented a number of different challenges, ranging from difficulties with being able to find the right skills within the local labour market, inability to recruit and retain experienced, higher level

and technically skilled workers from other areas. There was also a lack of interest to work in a particular sector and some employers being unable to access training for their workforce.

The SEP also recognises that there will be large numbers of job vacancies in the future and that demand for higher level, technical and managerial skills will continue to grow.

In order for businesses to be able to fill these roles, support within local communities is essential, both in and out of work along with support offered to schools and colleges to ensure that everybody has the ability to raise their skills levels and be connected to career opportunities that are available.

The SEP also acknowledges the need to encourage businesses to invest in intermediate and high-level skills to support career progression and create new entry level employment opportunities.

The College acknowledges that many businesses and employers are keen to invest in skills progression within their workforce; however, local education facilities are limited, particularly within the more rural areas and this has been a barrier to accessing such skills and educational training due to either travel times or educational facilities being at full capacity.

The project therefore clearly supports the strategic objectives of the SEP.

- ii. The Local Industrial Strategy (LIS) – The LIS includes a visionary cross cutting priority to equip people in Greater Lincolnshire to transition into a changing working environment and to take advantage of the opportunities the County has to offer. To achieve this, support will be provided to students and adults to progress their qualifications and technical knowledge to level 3 and 4 and beyond, along with partnering local businesses to assist and develop and retrain their existing workforce, to adapt to disruption and changes in technology, global competition and new working practices.

The 'Evolving Opportunities' document states that skills are at the heart of achieving a local modern industrial strategy, cut across all aspirations and industries and are a fundamental challenge to deliver on all opportunities. Therefore, there is need within the priority sectors to invest in skills in order that communities across Greater Lincolnshire can gain the skills they need to benefit from opportunities within an increasing automated digital and fast changing environment.

The project therefore supports the objectives of the LIS.

- iii. The Greater Lincolnshire Area Review of Post 16 Education – This study identifies that it is vital that young people are inspired to stay and work in the area and that residents that are already working or seeking jobs, are upskilled or retrained to take up the job vacancies that are currently and likely to be available in future.

Throughout East Lindsey, this is currently difficult to achieve as there is no direct access to dedicated further education facilities in any of the towns. This means that learners potentially face a daily journey time in excess of 90 minutes each day on public transport to access provision in the neighbouring areas of Grimsby,

Skegness, Lincoln and Boston. This situation may become even more challenging for learners following the introduction of T Levels.

The area review also highlights that further intervention is required to support employers to upskill their staff and plan for future skills needs. In order to do this, training provision needs to be available and accessible to all employers that require it.

It is also recognised that in rural areas within Lincolnshire, access to online or distance learning is often hindered by poor broadband coverage outside of the larger towns.

The provision of the education facility and the Hub facilities at Horncastle will provide a highly connected Hub for access learning. The project will replicate the online learning Hubs at the Boston Campus, which has been highly successful in providing an alternative means of accessing training and education.

Furthermore, the provision of an operational base for a dedicated further education provider in the district will also provide the conduit to increase engagement with local businesses and tailor future curriculum provision to future skills needs within the local economy.

- iv. The East Lindsey Framework for Economic Development – This strategy identifies that the Council will support the delivery of the SEP by supporting the development of the skills base of the local workforce, particularly for key employment sectors and encourage greater employment engagement in apprenticeships and workforce development.

In addition, the strategy seeks to support strengthening of relationships between local businesses and educational establishments to animate local career paths.

The subject scheme clearly supports this strategy.

- v. East Lindsey Local Strategic and Economic priorities – The Council have a number of other strategic objectives in relation to providing high quality education and digital skills training focused on employer led provision. Ultimately, the Council are seeking to deliver a vision for a future focus, high quality and inclusive economy, in particular to improve social inclusion where seasonal tourism dominates and skills attainment levels and career opportunities are limited.

These local priorities therefore seek to establish the means to support the creation and development of micro businesses, which will be sustained in the long term through the provision of training and skills development. The Council will also seek to support projects that address the low levels of achievement in the working age population and particularly to reverse the out migration of young people.

The project therefore has strong strategic fit with a wide range of strategies both locally focused and with a wider remit to support the growth of priority sectors across Greater Lincolnshire.

5.0 MARKET ASSESSMENT

5.1 The College has undertaken significant research alongside ELDC and the Lincolnshire Enterprise Hub in order to gather an evidence base upon which to prepare proposals for the subject scheme.

5.2 The College has had regard to a number of published research papers, studies and surveys in order to gather an evidence base and these are summarised briefly as follows;

- i. The CBI/Pearson Skills Survey November 2018 – The results of this survey identified that around 79% of businesses are expected to increase the number of highly skilled roles over the coming year and over two thirds of these are concerned that there will be a lack of sufficiently skilled people to fill these roles.

The report also goes on to highlight that 48% of businesses expect to need more people with intermediate level skills and that 85% of businesses are intending to maintain or increase their investment in training in the years ahead in order to ensure that they have a suitably skilled workforce. In addition, 62% of firms expect to retrain at least some of their employees to take up new roles with 60% of businesses reporting that the introduction of new technologies or services are the key driver behind the need to retrain their employees.

- ii. ELDC Area Review Evidence Base – The need for dedicated further and higher education facilities has been demonstrated by the fact that major population centres are all more than a 30 minute drive away from the nearest FE College Campus.

The NOMIS data shows that whilst the proportions of people in Horncastle with NVQ Level 1 and above were in line with the Great Britain figure, at every higher level qualification, proportions were considerably lower. Just over half the proportion of working age population qualified to NVQ Level 4 and above in England is qualified to the same level in East Lindsey.

There is therefore significant inequality in skills attainment within the ELDC area and the College's plans to deliver Level 2 and 3 courses along with off the job training for local apprenticeships and higher apprenticeships will help to address this inequality.

It is also well established that the Greater Lincolnshire population is growing and ageing. Forecasting models have predicted that businesses will need to fill around 200,000 jobs by 2022. Business therefore need to be able to replace staff that retire and fundamentally, retaining businesses within the district needs to be protected by ensuring that there is a suitably skilled labour supply so that businesses can continue to operate across Lincolnshire.

Data for East Lindsey also characterises this by having higher levels of deprivation with lower skills and wages than the west of the county. There is significant need therefore to invest in skills provision within the district, which should provide a high return on investment through boosting the local economy.

It is noted that if current economic activity rates stay the same, the percentage of the economically active workforce in East Lindsey will need to increase from 66% to 81% to sustain the local jobs market. Whilst part of this growth in workforce may be mitigated by some older people remaining in the work place for longer, analysis shows that there is still likely to be a gap between the

availability of jobs in East Lindsey and the number of economically active residents that are available to fill them in the future.

- iii. Boston College Employer Engagement – The College has worked with a range of local employers with the consensus feedback being that skills shortages are a real issue and one of the top barriers to growth. Although 64% of employers had funded or arranged training for their staff in the last 12 months, past studies have shown that one in six employers still highlighted major skills deficiency among their workforce. It is estimated from this feedback that around 5% of the workforce are not fully proficient in their existing jobs with 10% of employers reporting a significant gap between the type of skills that employees have now and those that they need, to be able to meet business objectives.
- iv. Options Appraisal of Preferred Scheme – The College has undertaken a thorough analysis of the optimum way to provide bespoke further education provision within East Lindsey that will be sustainable in the long term. Reference has been made to other educational facilities that have been developed in isolation and ultimately failed due to the amount of capital and revenue funding that is required to sustain a commercially viable facility as a standalone project.

This has informed the consideration of a number of sites in other market and coastal towns such as in Louth and other towns along the coast. The outcome of the feasibility undertaken was that many of these sites were either too small or would require more expensive and complex negotiations in order to acquire and assemble land to be able to accommodate the proposed facility.

The Horncastle site has therefore been identified as the most appropriate location with East Lindsey given the opportunity to incorporate the project within a Public Sector Hub, where there is a collaboration of services to be provided to deliver wider economic benefit from a central location.

This means that there is the ability to integrate and utilise a wider range of facilities that will be shared by a number of occupiers within the building and will be far more affordable than having to provide such facilities in isolation.

A shared facility will also enable a newbuild scheme to be delivered, which will enable this to be bespoke to the requirements of the College and future proofed in terms of technological and digital fitout.

Therefore, there is the opportunity within East Lindsey to benefit from a coordinated approach to investment and delivery of learning provision being available in a remote and rural location. The scheme will enable accessibility to high quality facilities and broadband connectivity and will enable the deficit in learning provision for students in the largest part of the LEP area to be met.

- 5.3 Therefore, the primary and secondary research undertaken by the College to underpin demand and need for the project has been justified based upon the findings of this research.

6.0 DEVELOPMENT APPRAISAL

- 6.1 A development appraisal for this scheme has not been undertaken on the basis that it is not a traditional property transaction, which will then be subject to a letting and investment disposal within the property market.

6.2 There are however, a number of elements of the scheme that have been subject to more detailed consideration and these are briefly summarised as follows;

- i. Land Acquisition of the Horncastle Site by ELDC – Evidence has been provided to confirm that the land has transferred into the ownership of ELDC and therefore there are no issues in relation to deliverability of the scheme in this regard.
- ii. Construction of the Public Sector Hub Building – ELDC are leading on this matter and have procured Willmott Dixon by way of an approved procurement framework. Willmott Dixon have provided detailed costings for the construction of the building. It is confirmed that the College will utilise the Skills Capital Funding to contribute towards the cost of constructing the educational suite for occupation by the College. It is also confirmed that the contribution by the College has been calculated as a proportion of the floorspace (circa 22%) that the College will occupy as a percentage of the total building.

We have not been provided with calculations to corroborate this position and note that the final contract sum has not yet been agreed with Willmott Dixon.

It is therefore recommended as a condition of investment that the College provide written evidence that costs for constructing the educational suite match the level of grant that has been provided, and that funding from GL LEP is not being used to subsidise construction of other elements of the building. Therefore, if construction costs are to reduce, the College would not draw down all of the funding allocated, commensurate with the reduction in costs for building out of the educational suite.

- iii. Schedule of Fitout Costs, Furniture and Equipment – The College has provided a schedule of equipment that will be necessary to enable operation of the newly constructed suite. The schedule of costs is summarised below as follows;

	Number	£ Ex VAT	£ Inc Vat	£ Total Inc
Student PC's	48	450	540	25,920
Monitors (48 + 2 for centre manager)	50	80	96	4,800
Laptop for Teaching Screens	4	520	624	2,496
Laptop Centre Manager inc dock	1	520	624	624
Teaching Screens	4	1,300	1,560	6,240
Switches 48 port	2	400	480	960
Switch Power over Ethernet	1	1,200	1,440	1,440
Wi-Fi	4	600	720	2,880
Total IT hardware and infrastructure				45,360

Furniture	34,640
Total fit out works	80,000

It is intended that these costs will be met by the contribution of capital funding from the College and therefore it is the College that will be responsible for meeting any cost overruns in this regard.

iv. Lease Between ELDC and Boston College – A copy of the Heads of Terms for the lease under which the College will occupy the suite within the completed Hub building are broadly summarised as follows;

- 25 year lease granted at a peppercorn rent per annum.
- The landlord (ELDC) will construct the building in accordance with the specification requirements provided and agreed with Boston College.
- Any additions to the specification over that which have been agreed are to be funded by the College. Alternatively, ELDC would meet the cost of undertaking any additional works required by the College; however, these would be rentalised over the period of the lease and subject to an 8% interest charge on costs. This would be known as the additional rent.
- Any additional rent will be subject to review on a three yearly basis. The provisions for reviewing the rent or indeed introducing a rental charge for the wider suite upon review is not known. Whilst it is understood that there will not be such provisions to introduce a rent over the peppercorn, this requires to be clarified by the College.
- Boston College has the ability to break the lease in every fifth term.
- Boston College will be required to pay a service charge to ELDC, which will contribute to the management and maintenance of the building and proportion of external space and facilities based upon the proportion of the building that they occupy.
- In the event that any grant becomes repayable to GL LEP in any circumstances, the College will be solely responsible for grant repayment.

6.3 It is understood that the lease has been structured in a way to enable Boston College to have the benefit of occupying space within a new building to provide educational facilities for a 25 year period without having to pay rent. This is a more effective means of the College trying to procure a bespoke facility as previously discussed.

6.4 The capital contribution made to East Lindsey towards the construction costs of the building is therefore in lieu of any rental payment. Typically, in a market situation, the level of capital contribution should equate to the market rent that would be potentially receivable over the term of the lease subject to a discount to reflect the fact that ELDC are receiving a single lump sum payment as opposed to quarterly payments being receivable over a 25 year period.

6.5 From our review of the terms, the payment of the grant to ELDC equates to a rent of circa £165 per sq m (£15.30 per sq ft), prior to any discount rate being applied. Clearly this level of rent is in excess of market rent achievable for office space within Horncastle and the wider area; however, is considered to reflect the very high quality specification of the Public Sector Hub building and facilities that the demise will benefit from.

6.6 The only issue noted with the terms agreed between the College and ELDC is that if Boston College needed to terminate the lease and vacate the building, say within the

first five year period, the College may be required to repay some of the grant funding that they had received.

- 6.7 In reality however, ELDC will have utilised the grant funding to contribute towards building out the space of the educational facility for the College and have no liability to repay the grant.
- 6.8 In such circumstances, ELDC will benefit from the grant in that this is a significant contribution towards the costs of providing ELDC with an asset, which they are intending to keep in the long term. Should the College vacate the educational facility, ELDC as building owner would have the ability to re-let this space and generate an income, which would be in addition to the grant funding that they will have also benefitted from the other College.
- 6.9 The terms in place would therefore seem to be onerous to the College, however it is acknowledged that Boston College has been in existence for a long time and has been graded as a good College by Ofsted, nationally recognised for excellence and with a strong reputation across a number of its teaching and campuses’.
- 6.10 The risk therefore of the College being unable to establish and sustain the proposed facility in Horncastle is therefore considered to be low risk, with clawback only likely to be triggered in the event that the College has not provided the outputs, which are proposed by this project.
- 6.11 No further issues have therefore been noted in terms of the appraisal of the scheme; however, reference to the recommendation made within this aspect of the due diligence is noted.

7.0 DELIVERABILITY AND PROGRAMME

- 7.1 A programme for the delivery of the project has been provided within the Business Case, which has been confirmed within updated information provided by the College. As noted, the scheme is at an advanced stage, which is ready to come forward for delivery, subject to Capital Skills Programme Funding being approved.
- 7.2 The programme for delivery anticipates that all the standard pre-start planning conditions will be discharged by 26th February 2021, enabling the construction contract between ELDC and Willmott Dixon to be executed also by 26th February.
- 7.3 The discharge of the planning conditions and execution of the construction contract will also trigger the agreement for lease and the lease between Boston College and ELDC is also to be executed on 26th February 2021.
- 7.4 Completion of the above events would enable the works to commence on site by March 2021, with practical completion by March 2022.
- 7.5 Fitout of the building would follow to enable teaching activity to commence at the start of the academic year in September 2022.
- 7.6 Whilst the above programme reflects the shovel ready nature of the scheme, it is dependent on a number of events being completed. It is therefore recommended as a condition of any investment that an updated programme for the delivery of the scheme and drawdown of funding is provided at the time the construction contract has been entered into with Willmott Dixon.

8.0 MECHANISM FOR INVESTMENT, STATE AID AND LEGAL COMPLIANCE

- 8.1 A subsidy control opinion has been provided by Browne Jacobson Solicitors in context with the change in State Aid Regulations, following the UK's exit from the EU and new legislation coming into effect in January 2021.
- 8.2 In essence, subsidy is now defined within the UK – EU TCA, which establishes subsidy as being public investment and economic actors and whether any subsidy is likely to affect trade between the UK and the EU.
- 8.3 Browne Jacobson therefore identify within their advice that subsidy means financial assistance which;
- i. Arises from the resource of the parties (being the UK Government in this case) including;
 - a. A direct or contingent transfer of funds such as direct grants, loans or loan guarantees;
 - b. The foregoing of revenue that is otherwise due; or
 - c. The provision of goods or services, or the purchase of goods or services;
 - ii. Confers an economic advantage on one or more economic actors.
 - iii. Specific in so far as it benefits as a matter of law or fact certain economic actors over others in relation to the production of certain goods or services; and
 - iv. Has, or could have, an effect on trade or investment between the parties.
- 8.4 Browne Jacobson's view is that the College would not be considered as an actor as they are not engaged in economic activity by offering goods or services on the market. Furthermore, as the College are providing public education organised within the National Education System and primarily funded by the state, is considered to be a non-economic activity.
- 8.5 Even where students, parents or employers may pay tuition, enrolment or course fees, which contribute towards the operating expenses of the system, such financial contributions often only cover a fraction of the true costs of the service provided and as such service provision is non-economic.
- 8.6 Specifically, in relation to the College, only 1.5% of total income is from tuition fees charged to learners and 0.38% comes from commercial training. Therefore, private income is clearly ancillary to the provision of state funded education.
- 8.7 In terms of any ability to distort competition between member states, due to investment and operation of the facility, it is noted that the catchment area for the facility will be local in nature and primarily meeting local need and demand.
- 8.8 On this basis therefore, Browne Jacobson confirm that the College is deemed to be a low risk in terms of any breach of the subsidy control rules.

9.0 PROCUREMENT

- 9.1 It is confirmed that Boston College is not procuring any works as the construction of the Public Sector Hub has been procured by ELDC, utilising a compliant framework, under which Willmott Dixon have been appointed.
- 9.2 ELDC will therefore enter into the contract with Willmott Dixon and will manage the process from start on site to completion in accordance with their financial procedure regulations and procurement thresholds.
- 9.3 The Council will also be responsible for confirming the apportionment between the Council site and the College site. The College site invoices will therefore be collated by ELDC and forwarded to Boston College for authorisation and reclaiming against the Skills Capital Funding Programme.
- 9.4 The professional advice procured as part of this project will include cost management, to ensure value for money and expert oversight of all costs and payments. All supporting information will be provided to enable the College to compile sufficient information in order to submit a claim for Skills Capital Funding, which will be subject to review of the Colleges finance team prior to drawing down any funding from GL LEP.
- 9.5 The above processes should therefore be adequate and sufficient to enable property management and governance of the project and to ensure only the appropriate amount of funding is paid for the delivery of the scheme as proposed. It is also noted therefore that as funding from Skills Capital Fund is fixed, the contribution towards the build out of the educational facility is also capped and it will therefore be ELDC's responsibility to ensure deliverability of the scheme in accordance with the costs that will be agreed with Willmott Dixon and incorporated within the construction contract.
- 9.6 It is hereby recommended that the College confirm that the final agreed cost between ELDC and Willmott Dixon, including the College's contribution towards the educational facility remains wholly deliverable in accordance with the budget detailed within this due diligence report.
- 9.7 It is also confirmed that an Agreement for Lease are to be executed between the College and ELDC once Capital Skills Funding has been secured and the scheme is fully funded. The Agreement for Lease will legally bind both parties to deliver and occupy the scheme as described within the due diligence report. This ensures that the College are not at risk from investing funds and being unable to occupy the space. It also enables ELDC to receive and invest funding via the College so as to enable delivery of the scheme.

10.0 OUTPUTS AND VALUE FOR MONEY

- 10.1 The outputs anticipated to be deliverable by this scheme are detailed in the table below;

Boston College Horncastle Output Profile - REVISED							
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	
Core Outputs	21/22	22/23	23/24	24/25	25/26	26/27	TOTAL
Public Investment Leveraged	£500,000	£4,475,000	£1,755,000	0	0	0	£ 6,730,000
Private Sector Investment Leveraged	0	80,000	0	0	0	0	80,000

Number of new jobs created	0	1	0	0	1	0	2
Numbers of jobs safeguarded	0	0	0	0	0	0	0
Local Strategic Outputs							
Commercial floorspace refurbished/constructed and occupied (sqm)	0	400	0	0	0	0	400
Number of businesses assisted to improve performance	0	2	2	3	4	4	15
Number of learners supported within priority sectors	0	135	240	360	390	411	1,536
Number of new businesses created	0	0	3	5	7	9	24
Number of brand new curriculums / training courses	0	1	1	2	2	0	6
Number of updated / modernised curriculums or courses	0	0	0	0	0	0	0
Number of learners as a result of this project securing jobs in priority sectors	0	0	3	4	4	4	15

10.2 Based upon the outputs, the value for money of the scheme is assessed to be as follows;

- i. Public Sector Investment Leveraged at £6,730,000, equates to an investment leverage ratio of 1:5.46, which exceeds the standard benchmark 1:2 and is considered excellent value for money. However, as all of the investment within this project is public with the exception of £80,000 from the College, it is nonetheless important as it reduces reliance on the Skills Capital Funding Programme from GL LEP.
- ii. Private Sector Leverage at £80,000 equates to a ratio of 15.4:1, which is significantly below the standard benchmark of 1:2. However private sector leverage, in not for profit educational institutions, is not an attractive investment proposition for the private sector and is also not a core output for the Skills Capital Fund Programme.
- iii. Two new jobs created at a cost of £615,967 per job. This exceeds the benchmark value for money of £15,000 per job; however, the objectives of this project and the Skills Capital Funding is not job creation and this output is therefore ancillary.
- iv. 400 sq m of floorspace constructed at a cost of £3,080 per sq m. This is in excess of DfE benchmark costs for building out educational floorspace; however, it is acknowledged that this benchmark is likely to be exceeded given the high specification and IT fitout of the building, as opposed to building standard educational space.

- v. 15 businesses assisted to improve performance at £82,129 per business. This is considered to be high; however, is not a primary output and part of the overall package of outputs to be delivered.
- vi. 1,536 learners supported at a cost per learner of £802, which is excellent value for money.
- vii. 24 new business created at £51,331 per business, which is reasonable value for money and acknowledged to be part of a wider package of outputs to be delivered by the scheme.
- viii. Six new curriculums/training at a cost of £205,322, which is reasonable value for money in context with the package of outputs being created.
- ix. 15 learners securing jobs in priority sectors at £82,129 is considered to be high; however, is justified as being good value for money when being considered as part of a package of outputs.

10.3 Based upon the extensive package of outputs that will be delivered as part of this project overall, this scheme is considered to provide good value for money.

11.0 MILESTONES

11.1 Key milestones presented for the delivery of this project are as follows;

- Planning permission secured – Already in place.
- Procurement contracts awarded – Pre-construction RIBA Stage 4, completed on 28th August 2020.
- Discharge of pre-start planning conditions – 26th February 2021.
- Agreement for lease and lease between Boston College and ELDC – to be executed by 26th February 2021.
- Build Contract between ELDC and Willmott Dixon – To be executed by 26th February 2021.
- Project start on site – March 2021.
- Project completion date – 31st March 2022
- Internal fitout – April 2022 to August 2022.
- Start of core activity – September 2022.

11.2 Although the project is at an advanced stage with the procurement process almost completed, it is recommended that a detailed programme for delivery of the project is provided once the construction contract with Willmott Dixon has been signed.

12.0 RISK ASSESSMENT

12.1 A full risk register has been provided in relation to the delivery of the Public Sector Hub building, which covers every aspect of the construction stages within the project.

12.2 For the purposes of this due diligence report, we have noted the main risks associated with the delivery of the project and these are detailed in the table below;

Risk	Owner	Probability	Impact	Mitigation	Condition of Funding Yes/No

Final costs confirmed by Willmott Dixon exceeds the budget	ELDC	Low	High	The scheme will be required to be subject to value engineering in order to bring the project within budget.	Yes – pre-drawdown condition, the College to confirm that the project is within budget and can proceed as proposed.
Unforeseen items arising whilst on site	ELDC	Medium	High	A contingency is included within the project costs. If the contingency is exceeded, variations to the scheme may be required in order to bring it into budget.	No – subject to monitoring and cost management by ELDC.
Scheme encounters delays during the construction process or due to impacts of COVID-19	ELDC	Medium	High	The scheme is at an advanced stage and Willmott Dixon through their procurement have a supplier network and are currently in liaison with various trades so as to minimise any potential disruption during the contract.	No – subject to ongoing monitoring.
The new education facility does not successfully establish and the College terminate the lease.	The College	Low	High	The College has the ability to terminate the lease if the scheme fails and would be responsible for repayment of grant if outputs have not been delivered.	No – subject to ongoing monitoring with GL LEP.

12.3 As referred, the Public Sector Hub is at an advanced stage of design and being part way through the procurement process is ready to proceed to the final design and potential start on site is imminent. Given the stage of the project, many of the risks have now been addressed with the primary risk remaining being associated with the construction contract and any cost overruns or programme delays that may arise. Ultimately, this risk will be ELDC and Willmott Dixon to manage, with the College also monitoring delivery of the scheme so as to ensure wherever possible any issues are addressed without any impact on the programme for the Skills Capital Fund.

13.0 CONDITIONS AND TERMS FOR THE FUNDING AGREEMENT

13.1 The following conditions are recommended to be attached to any offer of funding to the College as follows;

- i. The College is to provide written evidence via ELDC, to confirm that the Public Sector Hub and educational facility for the College is being delivered in accordance with the project budget and funds available. This information is also required to demonstrate that the Skills Capital Programme funding is contributing towards Boston College's facility only and is not subsidising build costs for other aspects of the scheme to be occupied by others – pre-contract condition.
- ii. An updated programme to be provided for the delivery of the scheme once the construction contract has been entered into with Willmott Dixon to demonstrate that the scheme can be delivered within the required programme – pre-drawdown condition.

14.0 CONCLUSIONS

- 14.1 Funding sought by Boston Borough Council is to facilitate the provision of an education and training suite within a wider Public Sector Hub building, to be delivered by ELDC on a brownfield and underutilised site in Horncastle.
- 14.2 The project will provide dedicated classrooms with access to additional theatre and conferencing facilities, with each classroom having the capacity to accommodate 24 learners in a range of training and educational activities including digital skills, business studies including leadership and management, customer service and access to higher education courses.
- 14.3 Essentially the facility will provide training to post 16 learners and adults, employers and their employees who require to upskill in the light of evolving technologies within various sectors.
- 14.4 The project has been designed working alongside ELDC and the Lincolnshire Enterprise Hub along with extensive engagement with employers within the district.
- 14.5 Ultimately, the project seeks to address the lack of post 16 and specialist education provision within East Lindsey, along with the decline in adult education participation. By increasing skills and education, local and regional businesses benefit from being able to meet current and future skills needs helping to both sustain businesses and allow them to grow.
- 14.6 Local and regional businesses will also be able to access training to meet their skills needs locally, assisting to increase productivity and create more jobs, thereby adding value to the local economy.
- 14.7 The scheme will also benefit from being part of a wider Public Sector Hub and through sharing of facilities and amenities in a more cost efficient and effective manner.
- 14.8 The project is at an advanced stage and shovel ready, subject to securing funding from the Skills Capital Funding Programme, which would enable a start on site provisionally in March 2021 and practical completion by 31st March 2022. The programme is designed to enable the College to commence activities in time for the start of the academic year in September 2022.

15.0 RECOMMENDATIONS

15.1 It is hereby recommended that the GL LEP Investment Board approves Skills Capital Investment Programme Funding of £1,231,490 subject to the conditions noted in Section 13 of this report.



Date: 15th February 2021

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PAPER 5 - KILLINGHOLME MARSHES DRAINAGE SCHEME

Publication	Public Paper (published)					
Meeting date:	26 February 2021					
Agenda Item:	5					
Item Subject:	Killingholme Marshes Drainage Scheme (Killingholme Pumping Station) – Approval to Contracting					
Author:	Halina Davies					
For:	Discussion	Yes	Decision	Yes	Information	

1. SUMMARY

- 1.1 This paper seeks Investment Board approval to contracting stage for the Killingholme Marshes Drainage Scheme (KMDS). The project is being considered as part of the Getting Building Fund Programme.

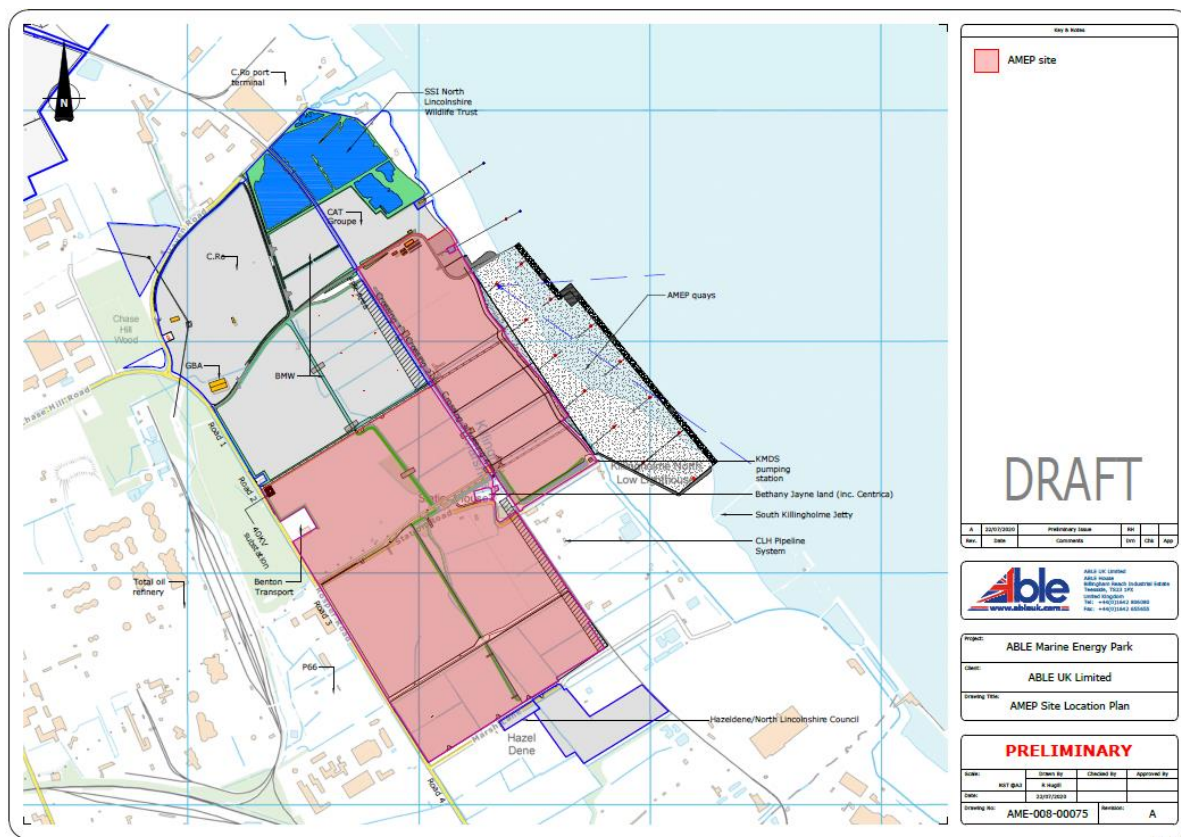
2. BACKGROUND

- 2.1 The KMDS Project was submitted to the government as part of a Getting Building Fund bid made by the Greater Lincolnshire LEP in July 2020 and a provisional allocation of £4,371,750 was approved by the Secretary of State towards the scheme which included a contribution towards GLLEP project management fees.
- 2.2 This scheme would deliver extensive surface drainage across a large area of the South Humber Bank, replacing exiting temporary arrangements. It is intended to facilitate further development of the South Humber Bank and would also enable the development of the Able Marine Energy Park as a world-scale and bespoke facility to serve the needs of the burgeoning offshore renewable energy sectors.
- 2.3 The project would be managed, on behalf of the Landowner Able Humber Ports Ltd (AHPL), by its UK Asset Manager, Able UK Limited (AUKL) who are lead applicants for the project. The works would involve a number of delivery partners and the beneficiaries are a mix of organisations, businesses and landowners. In addition to AHPL and its current occupants direct beneficiaries also include the main C.Ro operational port facility, MoD South Killingholme Jetty, CLH Pipeline System, P66, Benton Transport, Network Rail, Bethany Jayne (tenants include Centrica), Hazeldene, North Lincolnshire Council and Lincolnshire Wildlife Trust.
- 2.4 Once completed the Killingholme Pumping Station (part of the KMDS scheme) would be adopted by North East Lindsey Drainage Board with a commuted sum of circa £1m and they would be responsible for its on-going maintenance.

3. THE PROJECT

- 3.1 The proposed scheme involves construction of a pumping station and other drainage infrastructure to facilitate further development of the South Humber Bank. The South Humber Bank is strategically important to the region and the UK economy overall. It forms the largest area of any Enterprise Zone in the UK.
- 3.2 The 693.4ha central surface water catchment area currently relies on a network of ditches running to a gravity outfall. This project will widen and divert existing drainage channels and install electric pumps that will operate when gravity discharge is impeded. Crucially, it will prevent future flooding of industrial land and property, ensuring established businesses can remain and enable future inward investments on the South Humber Bank.
- 3.3 A location plan is enclosed below demonstrating where on the Able Marine Energy Park site the pumping station would be developed.

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3.4 AUKL has divided the project into six individual work packages:

- Cofferdam and Sheet Piling
- De-watering of the Cofferdam
- Mechanical, Electrical, Instrumentation, Controls and Automation
- Pre-cast concrete structures
- Pump package
- Re-enforced concrete

3.5 Each works package has been offered to a minimum of three suppliers. Given the specialist nature of some elements this has involved a nationwide approach. Earthworks and Civils are to be undertaken in-house by the Applicant. The rationale being that AUKL has existing plant and equipment in situ, which will eliminate mobilisation/de-mobilisation costs of specialist plant.

3.6 The existing surface water drainage network comprising open watercourses and a tide-locked gravity outfall will be improved by way of realignment and re-profiling of the existing ditch network, to include a new two-stage channel profile. Works include excavation of a flood storage area and construction of a new larger gravity outfall and pumping station, including the procurement of 4 pumps to replace the existing tide-locked gravity outfall into the River Humber. There will also be ground raising to allow suitable platforms for development above design flood levels.

4. FUNDING

4.1 The project requires £9,204,324 to be fully delivered of which the GBF grant contribution would amount to £4,328,032.

4.2 The LEP grant will cover contributions towards:

- Site investigation, clearance and preparation
- Site services, internal infrastructure
- Construction work

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- Capital fixtures and fittings
- Project-related professional fees

4.3 AUKL is responsible for the major element of the matched funding and has re-affirmed a commitment. It should also be noted that the applicant has incurred significant costs at risk to date of £1.29m which can be claimed retrospectively should the scheme proceed.

4.4 The overall scheme costs is are summarised below:

• Pumping Station and drainage works	£3,359,839
• Sunk costs of AHPL	£1,292,789
• Civils and engineering works	<u>£4,551,696</u>
Total works	£9,204,324

Less Getting Building Fund Grant	<u>-£4,328,032</u>
Match Funding Provided to Works	£4,876,292

4.5 In addition, £1,200,000 will be paid to North East Lincolnshire Drainage Board as a commuted sum for future maintenance. Including the maintenance costs total match funding is £6,076,292, all of which is confirmed as being in place by AHPL

5. OUTPUTS

5.1 Due diligence has identified that the overall package of outputs delivered by the scheme is calculated as very good value for money. Outputs which would be achieved as a result of the Getting Building Fund Investment are:

OUTPUTS	2020/21	2021/22	2022/23	Future Years	Total
Private Sector Investment Leveraged (£)	1,292,789	3,583,503	1,200,000		6,076,292
Number of Jobs Safeguarded (gross)		1500			1500
OUTCOMES					
Area of land experiencing a reduction in flooding likelihood (Ha)		649			649
Indirect jobs created				1500	1500

6. PROJECT MILESTONES

6.1 The following milestones would apply to delivery of the scheme:

Milestone	Forecast Date
Written confirmation of third party land to transfer to APHL	Completed 19 February 2021
Bridge Agreement with Network Rail	1 March 2021
Legal Agreement in place with the Environment Agency	1 March 2021
Site works commence	5 April 2021
Enabling works commence	6 April 2021
Enabling works completed	16 April 2021
Cofferdam works commence	6 May 2021
Earthworks commence	14 May 2021
NELDB Handover Agreement completed	1 June 2021

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Pumping Station works commence	2 June 2021
Outfall construction commence	21 July 2021
Outfall construction completed	7 October 2021
Earthworks completed	4 November 2021
Cofferdam removal	22 November 2021
Pumping Station works completed	4 October 2021
Contract Completion	21 January 2022
Grant completion date	31 March 2022
NELDB Handover of pumping station	21 January 2023

6.2 The project is deemed to be at an advanced stage and should therefore be capable of coming forward for delivery quickly.

7. DEMAND AND NEED

7.1 There is little question of the strategic importance of this project, in terms of benefits to the economy, the impact that the drainage scheme will produce is immense attracting a significant amount of investment. The pumping station will unlock the area for further development by the existing land-owners and businesses already located and operational in the area.

7.2 A total catchment area of 693.4 ha currently relies on a network of channel drains running to a gravity outfall into the sea wall at the River Humber. At high tide the outfall cover cannot open and the channels cannot drain. If high tide coincides with heavy rainfall the channels do not have sufficient holding capacity to prevent the land flooding.

7.3 The pumping station and drainage channels would service the overall South Humber Gateway (SHG). The pumping station would be constructed as part of the development of the Able Marine Energy Park (AMEP), although the funding package for AMEP scheme is still being developed. The drainage project would safeguard 248 hectares of the Humber Renewables Enterprise Zone (EZ), which includes Able Marine Energy Park, the largest single EZ site in the UK.

7.4 It should also be noted that the Killingholme Marshes provide developable land that offers the opportunity of direct access to deep water. In this regard the development is eagerly anticipated by the offshore wind sector. The northern Lincolnshire area is driving forward the development of the renewable energy sector by providing some of the best investment opportunities for businesses wanting to invest in the UK. Crucially it provides the necessary land capable of accommodating the bespoke needs of multiple global offshore wind developers, as well as associated operations and maintenance, and supply chain businesses.

7.5 The South Humber Gateway is home to the Able Humber Port (AHP) development. This project has provided a great investor confidence and economic impetus to the wider region and it represents the most significant development opportunity on the SHG for decades. The two main zones of the AHP port development are:

- Able Marine Energy Park (AMEP) - Europe's largest offshore wind park (320 ha) & the UK's largest Enterprise Zone - eligibility for 100% capital tax allowances on plant and machinery for incoming companies, in addition to business rates relief.
- Able Logistics Park (ALP) - Planning consent is granted for 5,300 jobs (454 ha; 1,121 acres) to create the UK's largest port & logistics site, including a business park, hotel, transport depot's, storage, chilled & frozen logistics and extensive warehousing.

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7.6 A BEIS Offshore Wind Manufacturing Investment Scheme (OWMIS) bid for funding to support AMEP was submitted by AUKL in early January 2021 and they will hear from government on the initial results mid-February/early March with the successful port receiving an 'in principle' letter of support. This is a standalone scheme and does not affect delivery of KMDS, but would result in significant job creation for the area.

8. RISK ANALYSIS & DELIVERABILITY

8.1 The main risks associated with this project can be summarised as follows:

RISKS	OWNER	PROBABILITY	IMPACT	MITIGATION	TO BE A CONDITION OF FUNDING (YES OR NO)
Assembly of third-party land is delayed through the acquisition process	AHPL	L	H	Terms for the acquisition of the land and associated legal agreements have been executed, which should enable the land to immediately transfer to APHL.	Yes - pre-contract and written evidence provided by the applicant to confirm.
Network Rail Agreement not signed	AHPL	L	H	Extensive negotiations have completed with Network Rail and the Underbridge Agreement is now almost in final format.	Yes - pre-contract to ensure that the scheme can be delivered.
Agreement with the Environment Agency not in place.	AHPL	L	H	Legal agreement with the EA now in final format pending execution.	Yes - pre-contract to ensure that the scheme can be delivered.
Completion of the design work as a continuous process.	AUKL	L	H	Continuous monitoring visits will be undertaken to ensure the project complies with timescales and financial agreements	No - subject to ongoing monitoring by the applicant with GL LEP.
Significant increase in construction costs	AUKL	L	M	Fixed price contracts are in place for the various works packages along with a contingency in case of	No - subject to ongoing monitoring.

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				unforeseen items. The works will be subject to ongoing monitoring through the construction process.	
Project costs increasing due to adverse weather conditions	AUKL	L	L	No allowance for adverse weather conditions - contractor will have to make allowances resource schedules.	No - subject to ongoing monitoring.
Complaints from the public during construction works		L	L	Liaison with parish councils and public has been on-going surrounding overall AHP development. The AMEP NPI planning process allowed objectors to raise representations and these were dealt with accordingly through provisions within the scheme of works	No - a risk for the applicant to manage.

8.2 The major risk identified with this project related to the legal acquirement of third party land and this has now been resolved.

9 COMMENTS FROM THE ACCOUNTABLE BODY

9.1 To be provided at the meeting.

10. CONDITIONS OF GRANT

10.1 The due diligence assessment has identified the following conditions to be satisfied as part of any Getting Building Fund approval:

Pre-Contracting Conditions

- A copy of the executed agreement with Network Rail to be provided.
- A copy of the legal agreement with the Environment Agency once executed to be provided
- Written confirmation from the applicant confirming that all match funding is in place to enable the scheme to proceed if GL LEP funding is approved.
- An updated State Aid report to be provided.

Post-Contracting Condition

- A copy of the DCO document and of the final tribunal decision relating to the land which was excluded from the DCO to be provided to GLLEP once available.

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11. RECOMMENDATION

11.1 It is recommended that GL LEP Getting Building Fund grant totalling £4,328,032 be approved by the GL LEP Investment Board towards the scheme subject to the conditions detailed above and that it proceeds to contracting stage.