



## **Lincoln Town Deal Board – 14 January 2021**

### **Paper 1 – Options for reassigning Hive project outputs and expenditure**

#### **Introduction**

The accountable body has now received all the business cases within the Lincoln Town Deal programme, with the exception of the Hive project which has been withdrawn by Investors In Lincoln as the lead organisation. The HEAT project from Lincoln College still requires some further work on ensuring it meets the Green Book requirements, but there is a high level of confidence that it can do so and will therefore be considered at an additional meeting of the Investment Sub-Group at the end of February/early March 2022. All other projects have either been approved or have passed their due diligence checks and are being considered at the Investment Sub-Group on 11 January 2022. Lincoln is therefore on target to meet the deadline set by government for all business cases to have been approved and submitted back to government by 24 March 2022.

#### **HIVE funding and outputs**

DLUHC (Department for Levelling Up, Housing & Communities) has issued some guidance on how areas can proceed in the eventuality that not all the original projects can come forward. The Lincoln Town Fund grant funding allocated to HIVE is therefore available to re-allocate in line with this guidance, subject to approval from DLUHC, and so long as this is done before 24 March 2022.

The Hive project was due to deliver the following within the programme:

**Town Deal Funding:** £1,000,000

**Private Sector Match:** £8,800,000

**Outputs:** 450 people trained in first 3 years

65 new housing units

This gives the Board some options for how the underspend on the programme could be approached, although even if Lincoln requested and had approved an extension to the 24 March 2022 deadline, there is insufficient time to do a call for additional/new projects. A Project Adjustment Form (Appendix 1A) would need to be completed to seek authority to proceed with any of the options.

#### **Option 1 – Redistribute funding to some of the projects which had funding reduced.**

Lincoln's original Town Deal programme bid was for £24,748,000 – of which £19M was allocated. Following discussions with individual projects and an external assessment of the options for reducing the programme, the Board decided to accept the reduced funding coming from project leads

(including the amalgamation of the Drill Hall and HWBC projects) and to reduce the allocation for Wigford Way from a £5.040M scheme to a £0.430M feasibility project with Wigford Way then becoming part of a Lincoln Levelling-Up Fund (LUF) submission for the capital delivery of the works. The impact of these changes is shown in Table 1 below:

Table 1: Changes in project funding allocations (May 2021)

Project	Towns Fund Original £m	Approved at 10 May 2021 £m	Difference
Lincoln Connected	1.514	1.483	0.031
Lincoln Made Smarter	1.290	1.290	0
Wigford Way/St. Mary's Street	5.040	0.430	4.610
Sincil Bank Green Corridor	3.040	3.000	0.040
Lincoln City FC Stadium and Community Redevelopment Projects	0.840	0.800	0.040
Health & Wellbeing Centre (HWBC)	0.660	Merged with Drill Hall	0
Hospitality Events & Tourism Institute (HEAT)	1.240	1.120	0.120
Lincoln Central Market and Vibrant Public Realm	6.540	5.900	0.640
Tentercroft Street	0.340	0.340	0
Climate Commission Road to Net Zero	0.360	Not approved	0
Drill Hall Development	0.455	1.000	0.115
Barbican Production & Maker Hub	1.640	1.600	0.040
Store of Stories (Food Supermarket)	0.205	0.165	0.040
Greyfriars	0.540	0.540	0
The Hive	1.040	1.000	0.040
<b>Total</b>	<b>24.748</b>	<b>19.000</b>	<b>5.748</b>

Therefore, Option 1 is that the £1M of available funding could be redistributed to the projects who had their funding reduced (up to the amount of their original allocation). Given that the reductions amounted to more than the £1M available, Focus Consultants have produced a proposed assessment framework (attached as Appendix 1B) and an application form (attached as Appendix 1C) that could be used to inform the redistribution. Whilst this approach may appear the most equitable, the concern is that it could require a lot of work by some projects for minimal value for money benefits (the exception to this would be Wigford Way – see Option 2).

### Option 2 – Reallocate the £1M to Wigford Way

As Table 1 shows Wigford Way saw the largest reduction in funding, so the full £1M could be reallocated to that project. The concern with this approach is that the feasibility work has yet to start, so it is not clear what could be delivered for £1M given that this is still significantly short of the £5M cost identified, and there is no match funding available/offered to support it. Whilst the LUF bid was unsuccessful in the first round, the feedback received on the project (see Appendix 1D) does

support the potential to resubmit in the next round (subject to the criteria remaining relevant) for the full funding amount needed.

### **Option 3 - New project and some additional resources to existing projects**

There is insufficient time unfortunately to consider an open call for a new project to the programme, however officers have reviewed the original draft projects considered in 2020. The original draft Investment Plan included a project for the Lincoln Science & Innovation Park (LSIP) which was assessed as a high priority before being withdrawn as a result of other funding becoming available on a quicker timescale. LSIP do have a smaller project they have prepared that is a strategic fit for the programme requiring £800k funding (with £200k match to support) and could deliver new outputs to “replace” those lost from the programme by the removal of the Hive. This project would be a stand-alone hub facility in the heart of LSIP to encourage greater collaboration of these dynamic, entrepreneurial and innovative businesses to support the further success of the Park. A short proforma is attached as Appendix 1E which gives some further detail. This project has been worked up (so could meet the March timescales set out earlier in the report) but is not able to currently secure funding from other available sources. If supported this would then still leave £200k where using the assessment process referred to in Option 1 above (detailed in Appendices 1B and 1C) existing projects could be invited to make an exceptional case for additional funding to cover for things such as increased capital costs arising from the current economic climate in the construction sector. The concern with this approach is that it is essentially a direct approach in response to insufficient time to enable an open bidding process that would maybe see other projects come forward.

### **Option 4 – Invite all existing projects to come forward to make a case for additional funding.**

This option would mean that all existing projects would be invited to make a case for additional resources using the assessment approach set out in Option 1 but without a cap of their original funding allocation. The concern with this approach is that the case for the funding would still need to justify the increase by delivering extra outputs and/or not adversely impacting their BCR (Benefit Cost Ratio – measuring value for money). Whilst some projects have enquired about the potential of extra funding given the difficult capital cost environment currently, it is unclear as to whether there would be sufficient to fully utilise the £1M available.

### **Recommendation**

The paper is being considered at the Investment Sub-Committee on 11 January 2022 and will be verbally reported into the main Town Deal Board on 14 January 2022.

The Board is asked to select a preferred option for officers to request DLUHC to approve.