

D2N2 INFRASTRUCTURE AND INVESTMENT BOARD (IIB)

27 October 2016

Medicity

1.0 Background

In February 2015 DCLG awarded D2N2 Grant Funding to deliver the approved schemes on the Local Growth Fund (LGF).

The LGF comprises of 36 schemes and runs until March 2021.

In March 2015 D2N2 and Derbyshire County Council issued the LGF Local Assurance Framework which sets out the procedures for managing and approving projects.

In April 2015 D2N2 appointed Derbyshire County Council as the Accountable body to administer the Local Assurance Framework.

2.0 Scheme Overview

Medicity is a life-science incubator within one of the buildings on the Boots Campus within the Nottingham Enterprise Zone. This project is to accelerate the delivery of refurbished space within Medicity.

The ultimate ambition of Medicity is to create a thriving and sustainable cluster of health sector companies that benefit from agglomeration economies of being co-located with each other alongside Boots. The cluster will be globally competitive providing leading edge research and development in the health care sector. The LGF grant will assist Medicity in accelerating development of this cluster through Phase 3 refurbishments.

The viability issues in delivering new-build life science facilities means that the delivery of more refurbished space within Medicity is seen as a quicker more cost effective way of stimulating the next wave of growth in this strategic sector.

The overall capital cost is £1,360,000 and is funded as follows:

LGF Funding	£740,000
Boots loan	£720,000
Medicity	£36,000
Total	£1,496,000

3.0 Approvals

Boots have given approvals to the works taking place and have confirmed the funding is in their capital programme.

4.0 Procurement

Because the element of public funding is less than 50%, Public Contracts Regulations 2015 do not have to be followed. Medicity has therefore procured the contract in accordance with Medicity own internal procurement policies with three quotes from suitably qualified contractors.

5.0 State Aid

The promoter has sort advice from Geldards and confirmed the project is State Aid compliant

6.0 Business Case

The business case has been forwarded to Regeneris and at the time of writing this report the Value for Money (VFM) report had not been completed. Any approval given will be on the basis that the project reports good VFM.

7.0 Delivery Programme

- October 2016 - Obtain full quotes and select contractors
- November 2016 -Refurbishment commences
 - Tenancy agreements made with occupiers
- March 2017 -Refurbishment complete and first tenants move in

8.0 Outputs and Outcomes

- 29,800 ft² of refurbished floor space
- 190 direct jobs
- 582 indirect jobs

9.0 Spending profile

£740k 2016/17. Please note figure is higher than what was approved at the 29th September IIB which was £725,000

10.0 Local Assurance Framework

Stage 1 approval was granted on the 5th October 2016 and a full Business Case was submitted in line with Stage 2 of the approval process. The Accountable Body and D2N2 have assessed the Business Case submission and approval is recommended.

The IIB are asked to approve the project and release this year's funding of £740,000 on the condition that the Regeneris report confirms this project represents good value for money. The increased grant allocation for this project is still within the underspend allocation for the LGF.

Sarah Wainwright, Accountable Body, Derbyshire County Council
Tom Goshawk, D2N2 LEP

Local Assurance Framework

Stage 2 Approval Check List:

1. A Value for Money assessment carried out in accordance with the Local Assurance Framework and concluding that the project overall provides at least a good value for money score	At the time of writing this report the VFM report was not available from Regeneris, therefore approval will be recommended based on the report showing the project represents good value for money.
2. Evidence supporting the need for the project and the how the outputs in the Business Case will be delivered/guaranteed. This will also include evidence identifying when the outputs will be delivered.	<p>Life Sciences is an industry that is growing globally. The UK and specifically Nottingham, is well placed to compete internationally in this industry and grow private sector employment. Medicity's useable space is nearly all fully let with occupancy over 90%. Medicity are now unable to offer suitable space for the 'live' enquiries it currently has, therefore increased provision of space is required.</p> <p>The outputs are:</p> <ul style="list-style-type: none"> -29,800 m² Floor space delivered, 25,000m² in 2016/17 and 4,800m² in 2020/21 -190 direct jobs, 158 jobs in 2017/18 and 32 in 2021/21 -582 indirect jobs in between 2016/17 and 2032-34
3. A statement confirming that the funds are in place and that adequate safeguards have been taken in regards to any cost over-runs. Examples of this could be confirmation that contingency has been secured for the project and/or that all risk have been passed to the contractor/developer.	<p>Funding is confirmed as follows:</p> <ul style="list-style-type: none"> -LGF £740,000 -Boots loan £720,000 -Medicity funding £36,000 <p>Medicity have confirmed they will cover any cost overruns</p>
4. A statement confirming that the project is State Aid compliant.	The promoter have confirmed that the project is State Aid compliant

5. Full design and specification to RIBA Stage 4 (if applicable)	The refurbishment is fully designed
6. A detailed Business case submitted by the Section 151 officer, Finance Director or Chief Executive Officer.	The business case was submitted by the Managing Director of Medicity
7. Confirmation that all Planning consents and other consents in relation to the delivery of the project have been granted. The promoter is also required to confirm that all pre-commencement conditions have been met along with details regarding how and when the remaining planning conditions will be discharged.	Planning consents are not required as the only building works will be internal refurbishment of an existing building. As Medicity is located within a Grade 1 listed building, verbal approval has been given which will be followed up by written approval.
8. A statement from the promoter confirming how the project aligns with the LEP'S sustainability and local procurement framework (if applicable)	The promoter has confirmed that the project aligns with the LEP's sustainability and local procurement framework
9. Confirmation that all funding is approved and in place to deliver the project along with written confirmation from the other funders confirming the funds are agreed and available.	Funding is confirmed as follows: -LGF £740,000 -Boots loan £720,000 -Medicity funding £36,000
10. Confirmation that a delivery contract is in place (JCT or equivalent) and confirmation of how cost/programme	The promoter will enter into a standard Design and Build works contract with the contractor.

overruns to be managed. The LEP will require promoters to either confirm that any cost over-runs are the risk of the developer or additional funds have been set aside.	
11. All land assets purchased and vacant possession obtained (if applicable)	Medicity has agreed a 20 year lease with Boots for the Medicity building. Boots hold the freehold for this premises. Boots have consented to the works taking place and the funding they will provide is allocated in their capital programme
12. Value for Money report carried out by a suitably qualified and experience professional with at least a 'Good' score. The LEP and the Accountable body will seek confirmation on the conclusions of the report from external consultants.	At the time of writing this report the VFM report was not available from Regeneris, therefore approval will be recommended based on the report showing the project represents good value for money.
13. How the risks will be managed?	A risk register has been provided listing risks and mitigations.