

Item 12 – Investment Fund

Supplementary note – Quantum Technologies Innovation Centre+ (QTIC+)

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WEST OF ENGLAND COMBINED AUTHORITY COMMITTEE - 4 OCTOBER 2019

Agenda Item 12 – Investment Fund – supplementary note (and additional recommendation)

1. As set out in paragraph 29 of the Committee report, the Quantum Technologies Innovation Centre+ (QTIC+) project promoted by the University of Bristol (UoB) has been allocated £34.974m from the Investment Fund subject to Full Business Case and necessary due diligence. Of this total £14.974m was the underwriting through the Investment Fund of future funding via the UK Shared Prosperity Fund (or equivalent).
2. The report notes that the external review of the value for money of the project has now been completed, concluding that the Benefit to Cost Ratio is '*significantly positive and therefore the economic case supports WECA's contribution to QTIC+*'.
3. The remaining aspects of the due diligence work by Ernst and Young have been concluded since the publication of the papers for the meeting and therefore an update on this can now be provided.
4. Whilst the due diligence has not identified any issues which would preclude the award of funding it has highlighted a number of points which would need to be addressed prior to final funding approval, and also considerations which would need to be embraced in the contractual arrangements and ongoing monitoring with the University. These are set out below. In addition, given the interface of QTIC+, and the wider Temple Quarter Enterprise Campus, with the Bristol Temple Meads Eastern Entrance project also funded through the Investment Fund there are a number of expectations of the University to ensure successful delivery of this project.
5. Points identified by the due diligence undertaken by Ernst and Young:

Conditions Precedent to Funding Commitment

- *Signed construction contract for QTEC (or CM1 building)*
- *Demonstration by the UoB that all funding is secured for the project*
- *Adequate contingency funding is in place by UoB and other funding parties for Abnormal Development Costs*
- *Full planning and including section 106 arrangements*
- *Signed of Sale and Purchase Agreement*
- *No material adverse changes in buildings floor plans, build costs and uses from that set out in the Business Case*

Funding Contribution

- *Provision of actual cost information relating to QTIC+*
- *Priority of funding should be allocated to the provision of equipment and fit out within QTIC+*
- *The VFM should be subject to review if there are any material changes to the designated uses and floor areas during construction*

Ongoing Monitoring and Value for Money

The success of QTIC+ is subject to a number of different factors and by its very nature is more broadly aligned to a market failure/intervention for the various reasons sets out in the Business Case. As such, there is a risk of QTIC+ falling short or exceeding expectations set out in the Business Case. Whilst it is arguable that WECA is accepting of this risk via its contribution to market intervention, it should seek to protect itself from the UoB benefiting from using the building to exploit other opportunities that are inconsistent with the QTIC+ business case and rationale for the original funding contribution. WECA should:

- *Require regular progress updates by the UoB on building progress and more importantly the activities to promote and ensure the success of QTIC+*
 - *Provision of regular reports against a UoB delivery plan to measure actual versus planned performance*
 - *Reserve the right for clawback of the public sector funding (public purse argument) and/or the approval of alternative uses for the designated space (i.e. there may be a revised and separate VFM case supporting the on-going investment and as such avoiding any potential funding clawback that shall be at the discretion of WECA).*
6. In addition, the following requirements will support successful delivery of the Bristol Temple Meads Eastern Entrance project:
- 1) UoB shall allow for the delivery of the Bristol Temple Meads Eastern Entrance project. This shall include: measures to ensure that the preferred construction methodology can be delivered; a workable construction area for the project; and a suitable final completed entrance. UoB and WECA will work together to ensure the best solution is found for both projects.
 - 2) UoB shall ensure that train passengers have unhindered access to the station's eastern entrance at all required times of day and night.
 - 3) UoB shall ensure that the general public are not hindered in their ability to carry out their daily business whether it be accessing the station, the University or another destination not linked to the site.
 - 4) UoB shall ensure that appropriate modes of transport are catered for at this important transport interchange point of the Eastern Entrance. This will include measures for disabled access, cycle parking and signage as required.
7. With the completion of the due diligence the QTIC+ project is approved subject to the conditions precedent above. The costs and breakdown, Investment Fund profile and programme to be confirmed at final approval. Funding will be provided in stage payments linked to delivery of QTIC+ with final payment at Practical Completion of the CM1 building, including retention payments.

Recommendation:

To note the points to be addressed in contractual and monitoring arrangements with the University of Bristol for the delivery of QTIC+ as set out in paragraph 5 and 6;

To delegate the approval of achievement of the conditions precedent to the WECA Chief Executive in consultation with the Chief Executives of the constituent Councils, with a further report to be presented to the Committee should there be issues requiring a further decision.