

GFirst Local Enterprise Partnership

Board Paper – 10th Oct 2017

1. Agenda Item 6(a) : Funding Decision – UK Digital High Street Innovation Centre

2. What this item is for :-

The Board is asked to:

- a) Approve the offer of a formal funding award of £400,000 post due diligence, for the UK Digital High Street Innovation Centre project (previously referred to as the Retail Entrepreneur project).
- b) Approve the preparation of the final funding agreement for the UK Digital High Street Innovation Centre project.

3. Summary:

The Original scheme “Supporting Retail Entrepreneurship” was proposed in April 2015 as one of the projects within the Growth Deal ‘Top-Up’ bid which resulted in a further £15m of funding being awarded to Gloucestershire. (A copy of the original proposal is attached for information).

The scheme has been through multiple iterations since its original inception with a number of locations being considered in both Cheltenham and Gloucester with several potential promoters being engaged to lead the project.

Marketing Gloucester is now the promoter for the project and has a deliverable scheme. The project will be based in the upper floor of the Eastgate Shopping Centre in Gloucester. The Latest scheme reflects the changes taking place in retail sector and the increasing impact of the digital channel within retailing. It is aligned with the UK “Digital High Street” programme and will provide incubation and training space for new/developing retail entrepreneurs and a testing ground for new technology and processes within a retail environment. The revised project broadly meets all of the original objectives of the scheme as per the original bid and is enhanced by the focus on blending the digital world with the physical high street. The combination of the retail incubation space, training facilities and digital infrastructure will make the facility unique in the UK. To reflect this enhanced scope of the project it is proposed to formally refer to the project as the “UK Digital High Street Innovation Centre”.

4. Due diligence

The full due diligence report for the proposal (prepared by Cooper Simms) is attached for information. In summary the assessment is that the project fits well with the Gfirst LEP Strategic Economic Plan and strategies for bringing activity back into the city centre. The project is assessed to provide acceptable value for money and the expected outputs appear reasonable and are not overly ambitious.

5. Risks / Issues:

The due diligence report identifies the following as medium risk items :-

- Cost escalation in the fit-out or operating costs
- Rents and EPOS commissions are lower than forecast

Marketing Gloucester have also identified a number of risks to the project with low to medium risk, with appropriate mitigation identified in each case. (see business case for full details).

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6. Investment Panel

The project was presented to the Gfirst LEP Investment Panel on 26th Sept 2017. A presentation of the project was provided by Jason Smith, MD of Marketing Gloucester and the panel posed a number of questions.

The investment panel recommended the project for full funding but requested that there should be a strong focus on retaining any legacy businesses in Gloucestershire where possible and that opportunities should be sought to retain Intellectual Property for innovations developed at the centre. The panel also stressed the need to maintain focus on the incubation activity and to promote the centre to students/graduates of Gloucestershire colleges and the University of Gloucestershire particularly.

7. Attachments

Full Business Case
Due Diligence Report
Original Business Case Submission (April 2015)

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