

D2N2 Investment Board – December 2021

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Meeting and Date	D2N2 Investment Board – 13 th December 2021		
Subject	D2N2 Capital Performance Overview		
Author	T Goshawk	Total no of sheets (Excluding cover sheet)	

Papers are provided for:	Approval <input checked="" type="checkbox"/>	Discussion <input type="checkbox"/>	Information <input checked="" type="checkbox"/>
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Summary and Recommendations
<p>The Board are asked to note the progress report on the D2N2 Capital programme.</p> <p>The report highlights the current position on the programme and provides an update of the Getting Building Fund.</p> <p>The paper also sets out the results of the GPF review and the new Low Carbon Growth Fund</p>

D2N2 INVESTMENT BOARD

December 2021 D2N2 Capital Programme Update

Introduction

This paper provides an overview of the LEPs Getting Building Fund Programme, including an update on progress against the financial targets for this year.

Getting Building Fund progress update

Following the announcement of the Getting Building Fund projects in August 2020, the LEP has been given an even split of funding with £22.2m to spend in the 2020/21 financial year and £22.2m in the 2021/22 financial year.

In line with the final submission and predicted spend profile sent to Government, the LEP was not able to facilitate full use of the Getting Building Fund allocation within this financial year. The LEP utilised freedoms and flexibilities to manage the budget underspends in the previous financial year and this will be explained further in the budget paper.

Spend is being continually monitored with projects and all are continuing to deliver in line or close to their projected profiles. Where projects are slipping behind profile the LEP are meeting with the project sponsors to discuss the reasons behind any slippage and mitigations to bring the profile back on track.

Project progress updates

Chesterfield College Centre of Excellence – The project was completed within the first two funding quarters of the Getting Building Fund and has been open since Spring 2021. Student numbers on the campus are performing well and the centre has enabled new technologically advanced teaching to take place on site.

Digital Turbine Centre – The project works at the centre have progressed well with the technology installations being put in place. Minor delays have been seen around the installation of 5G technology due to the shortage in supply of this equipment. The centre has however played host to the recent Regional Green Zone event as part of COP26.

Glossop Town Hall – The first phase of the project is nearly complete with minor works still left to undertake. The project is currently out to tender for the final sections of the construction contract and will receive the EOI's shortly. There is an anticipated minor underspend with the project which High Peak have alerted the LEP to, we are currently working with the Borough Council to look at possible catch up on spend.

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UK Electrification of Aerospace Propulsion Facility – The project works are progressing well at the University of Nottingham’s Jubilee campus. Final elements of the GBF spend need to be achieved still but there has been significant progress both physically and financially.

Worksop Access To Skills Hub – Refurbishment and redevelopment works of the former retail building are currently progressing in Worksop. The project is on track to be completed by March 2022 and will be open and operational with a target date of April 2022 in line with original projections.

NAMRC – The Nuclear Advanced Manufacturing Centre on Infinity Park is beginning construction works in the near future. The project has progressed since its approval in September 2021 and D2N2 have been in close contact to reassure the LEP over achievement of spend. The LEP have assessed the projections and are satisfied that this project can utilise its full allocation before March 2022.

Lindhurst – The project continues to progress with the road infrastructure developing for phase 2 on the site. Housing delivery and construction is continuing, and the project is now moving after some minor delays.

Transforming Nottingham Southside – The LEP has been in discussion with Nottingham City Council who are reporting good progress on the site and construction is going well. The project sponsor has provided assurances that future spend profiles will be met and the project is continuing to develop.

Smartparc – Works on the site are progressing at pace as indicated at the time of the business case approval. Development progress is being made and the funder for the project has been confirmed, the sites developer has confirmed that the first unit is now in progress and will deliver a building capable of housing 400 jobs in Spring 2022.

Drakelow – Delays have been found in the technical approvals process due to certain conditions in and around the infrastructure site. However, D2N2 have met with all parties to discuss progress and these approvals are anticipated to be granted in January to enable a start on site. As heard at the Investment Board at the time of approval, this project will not be able to utilise its GBF allocation in time but BEIS are aware of the situation and D2N2 have the capacity to manage the funding transfer.

Growing Places Fund Review

Introduction

As previously reported the D2N2 LEP has been undertaking a review of its Growing Places Fund to find the best route for reallocation of the funding. This section of the paper sets out the decided funding path and future role of the D2N2 Investment Board for the fund.

Background to the fund

D2N2 was awarded a total of £24,348,668 of funding to generate economic activity in the LEP area in November 2011. The fund was initially established to achieve the following objectives across Derbyshire and Nottinghamshire:

- to generate economic activity in the short term by addressing immediate infrastructure and site constraints and promote the delivery of jobs and housing.
- to allow local enterprise partnerships to prioritise the infrastructure they need, empowering them to deliver their economic strategies.
- to establish sustainable revolving funds so that funding can be reinvested to unlock further development and leverage private investment.

The fund has run four distinct 'calls' for projects since its inception and has committed £17.4m of the £24.34m to date. The LEP currently is looking to allocate £10.5m of funding through two distinct funding calls.

Consultations and Research

D2N2 concluded a previous independent review of GPF. The recommendations presented to the Investment Board in January 2020 called for loan funding to support the infrastructure to develop new sites and workspace development with a particular focus on funding projects that deliver Grade A office space. This funding mechanism was decided as no longer being applicable and since this review we have conducted further research, and this has resulted in the view that the funding should be primarily directed towards a grant funding mechanism for low carbon projects. Our rationale is that loan finance is historically cheap but is still not being picked up in the East Midlands: Greater Lincolnshire LEP has recently offered a low carbon GPF round as loan which received no interest, and they are re-purposing the programme as capital grant funding.

Rationale

In support of the LEPs Low carbon ambitions from the 'D2N2 Recovery and Growth Strategy' we proposed a Low Carbon Growth Fund to enable new developments which would not be able to develop without direct intervention. The Strategy outlines the LEPs ambition to lead the UK's most ambitious carbon turnaround and this fund aims to enable the delivery of that through a set of strategic interventions. In order to deliver on this ambition, the LEP has a funding pot of £6.5m available to deliver on these projects.

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In the D2N2 area we have 28% higher carbon emissions per capita than the UK average due to our concentration of energy intensive industries. We need direct strategic interventions across the economy to rebalance this and assist in our ambitions for carbon reduction. The LEP is not seeking to replicate other funding available to the market and will host an open approach towards a variety of projects which deliver on carbon reduction and low carbon growth.

The funding round support national and sub regional policy including HM Government's "Net Zero Strategy: Build Back Greener" and the "The Ten Point Plan for a Green Industrial Revolution". Both of which set out ambitious targets for carbon reduction and incentivising investment in both the public and private sector in to Green and carbon saving projects.

In the light of COP26 and a fundamental shift towards low carbon in D2N2's strategy we will also be seeking to focus on low carbon and green focused projects. Alok Sharma was quoted on the need for green finance, saying:

"...to meet the commitments made in the Paris Agreement and keep 1.5 alive, we need developed countries to deliver on public finance, and to unleash the trillions required in private investment to create a net zero future and protect lives and livelihoods from the devastating effects of climate change."

Following this, all projects which are applying to the fund will be required to unleash match funding alongside any funding they apply for.

What will submissions need to deliver?

All submissions will be required to deliver on the following principles to allow them to be funded:

Strategic alignment:

- Align with the core principles of D2N2 Strategy
- Show a need for external intervention for funding
- Projects require capital and not revenue funding

Impact:

- Demonstrate sustainable carbon reduction through the project through the reduction of current or prevention of future emissions or through carbon sequestration
- Assist in economic growth by creating new jobs (including apprenticeships) or businesses through the intervention

Commitment and deliverability:

- A demonstration of match funding towards any project of up to 50%
- Projects must be able to deliver in the 2022/23 financial year

Bids for a portfolio of related projects will be allowed, subject to the £1.5m cap for the total of the portfolio.

Proposal

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The LEP is aiming to create a grant fund to deliver a set of key strategic investments in the Low carbon sector across D2N2. All projects must involve capital expenditure which delivers an end asset related to Low Carbon Growth, no revenue submissions will be accepted to this funding round. Funding will be capped at £1.5m of D2N2 funding per project to enable the pot to invest in numerous key strategic investments and all funding is for capital interventions.

The LEP is proposing the following timelines for the funding call (Subject to change):

- Expression of interest documentation publicised, and consultation process opened to potential bidders – **1st December 2021**
- Consultation for project sponsors to be closed – **12th January 2022**
- Submission deadline for all bids to the LEP – **28th January 2022**
- Scoring process finalised – **11th February 2022**
- Projects informed of outcomes – **14th February 2022**

Ask of the Investment Board

As has happened with previous capital programmes at D2N2, the Investment Board will be presented the assessed Expressions of Interest from LEP partners who submit to the funding round. We anticipate this to take place in February and the Investment Board will be required to agree to all projects before any funding is released.