

MINUTES of a meeting of the **D2N2 INVESTMENT BOARD** held on 1 February 2023 via Microsoft Teams

PRESENT

E Fagan (In the Chair)

Councillors W J Clarke (Gedling Borough Council), K Girling (Nottinghamshire County Council), C Hart (Erewash Borough Council), S Hassall (Derby City Council), J White (Bassetlaw District Council) and D Williams (D2N2 LEP)

Also in Attendance: J Batty (DCC) N Cockrell (Bassetlaw District Council), C Durrant (Chesterfield Borough Council) T Goshawk (Faithful & Gould), W Morlidge (D2N2 LEP), P Mayhew (Shakespeare Martineau) M Neal (Nottinghamshire County Council), P Seddon (Nottingham City Council) L Towers (DCC, Audit), M Vieyra (D2N2 LEP), S Wainwright (DCC) and C Williams (Derby City Council)

Observers: N Johnson (D2N2 Board, Inclusion), J Lake (DCC, Audit), Councillor C Renwick (Derbyshire County Council) and N Swaney (D2N2 LEP)

Apologies for absence were received from Councillors P Gilby (Chesterfield Borough Council), B Lewis (Derbyshire County Council), and A Williams (Nottingham City Council)

01/23 **DECLARATIONS OF INTEREST** There were no declarations of interest

02/23 **MINUTES RESOLVED** to confirm the non-exempt Minutes of the meeting of the D2N2 Investment Board held on 26 October 2022.

03/23 **CAPITAL PROGRAMME UPDATE AND MILESTONES** In July 2020, D2N2 was awarded £44.4m of funding through the Getting Building Fund to deliver ten projects across Derbyshire and Nottinghamshire. The fund was intended to create jobs, support learners and build new homes. As part of this funding round, Drakelow Park was selected to be delivered and allocated a total grant amount £2.6m made up of £253,450.50 from the Getting Building Fund and £2,346,549.50 Growing Places Fund reserves.

The project involved funding to help develop key infrastructure provision around the site to enable the development to proceed, this included upgraded roads in the proximity of the area and a new bridge to cross the River Trent enabling smoother access for residents and traffic easing. In return for D2N2's investment the site intended to deliver 2,046 homes.

The site had made little progress since its initial allocation in 2020 and several matters remain outstanding including technical approvals not being in place for the bridge infrastructure. Contracts between the developer responsible for the delivery and D2N2 have also been delayed by the above issues and therefore the LEP has decided to remove the allocation of the full £2.6m from the site and reallocate this to other purposes.

The next steps for deallocation involved a written change request being made to the Department for Business, Energy and Industrial Strategy (BEIS) who are the overarching governing authority for this funding. Subject to their approval to deallocate, the LEP will seek new ways to reallocate both the £253,450.50 of Getting Building Fund before 31st March 2023 and the £2,346,549.50 of Growing Places Fund (this funding has no strict deadlines for spend).

The project was also part funded by the Stoke and Staffordshire LEP who have agreed to remove their funding for the project.

Officers recommended the board to approve the deallocation of the total £2.6m from the Drakelow Park project.

Following discussion amongst Board Members, it was agreed to deallocate the funding from the Drakelow project and that officers from the LEP and Accountable Body be asked to produce options on the reallocation of the funds.

In December 2021 the D2N2 Investment Board chose to allocate £6.5m of funding from the Growing Places Fund to deliver low carbon priority projects from across the region. As a result of this process seven projects were allocated funding to accelerate investment in new technologies and innovative projects. To date the Investment Board has approved four projects in the programme and a brief update was included below to inform the Investment Board of the progress that they are making:

PPROHLET - University of Nottingham - £1.2m LCGF allocation

The legal documentation for the project had now been formally adopted and the scheme was ready to proceed. In the meantime, conversations had been progressing with the University's procurement teams to prepare the documentation to issue tenders. These had now been sent out to suppliers with detailed specifications for the equipment and the University team was having weekly meetings to ensure the timely delivery to enable the project.

Smartparc LC Cooling and Heating – Smartparc Ltd - £1.2m LCGF allocation

The Energy Centre infrastructure on site had been completed and had now received half of the equipment to enable the heating and cooling system. The pipework to connect the heating and cooling systems was being installed to the first units on site. Smartparc were seeing a good level of take up to the

infrastructure and each new lease that had been committed to on site was using the system. The project had enough expenditure to account for the D2N2 Grant and will be claimed this quarter.

Hydrogen Waste Collection Vehicles – South Derbyshire DC - £310k LCGF allocation

The project had progressed its procurement of the waste collection vehicles in line with the initial schedule presented to the Investment Board and would have completed this by the end of Q4 2022/23. The project sponsor had been informed by the manufacturers that the current economic environment would lead to delays in the delivery. The dual fuel conversion kits were anticipating a delay of up to five months on this equipment. This would slightly delay the expenditure on the programme but not outside of the agreed timelines in the grant offer letter.

Springvale Hydrogen – AqSorption Ltd - £971,460 LCGF allocation

The design and procurement of the system had progressed well and manufacturing on certain elements of the infrastructure had begun. The preliminary works for the site have started on site and are on target to complete in time to enable the site infrastructure to be developed. There were potential slippages upcoming in the programme due to the lead times for equipment delivery as supply was becoming more scarce in the CO2 and H2 markets.

In relation to the Low Carbon Growth fund milestones, the report provided details on each project:

Heat Pump Skills Academy – Bolsover District Council - The Board are recommended to note the milestones and await the final business case for approval in April 2023

The Sixes H2 Buses – Trent Barton - The Board are recommended to note the milestones and await the final decision on funding in March.

Mine Water Heat - Bolsover District Council - The Board are recommended to note the milestones and await the outcomes of the further modelling, for an update at the next Investment Board meeting.

RESOLVED (1) to approve the deallocation of funding from the Drakelow Park project due to a lack of progress, and that officers from the LEP and Accountable Body be asked to produce options on the reallocation of the funds

(2) to note the progress of the four projects approved by the Low Carbon Growth Fund; and

(3) to note the milestones update on the three current project and approve the individual recommendations that follow each project.

04/23 **CAPITAL PROGRAMME BUDGET** In relation to the Low Carbon Growth Fund (LCGF), The Investment Board approved funding to be made available from the Growing Places Fund in December 2021. Funding was expected to be spent by March 2024. The only project to have submitted claims and received funding is Springvale Hydrogen

Appendix 1 shows the spend profile for each project.

Board Members made a number of comments and asked questions which were duly noted or answered.

RESOLVED that the report be noted.

05/23 **ENTERPRISE ZONES** Members of the Investment Board were asked to approve the ringfencing of business rates generated at Infinity Park to be spent on projects at Infinity Park with the first call on the monies to repay the £2.2m Growing Places funding

Enterprise Zone policy stated that LEP's were entitled to retain all additional business rates generated within the EZ boundary annually for a period of 25 years. The D2N2 LEP currently had 5 sites, 4 located in Nottingham and 1 in Derby:

- Nottingham Science Park (2.1ha)
- Nottingham MediPark (3.7ha)
- Boots site (90.7 ha)
- Beeston Business Park (19.1ha)
- Infinity Park (101 ha)

Currently only the Infinity Park site has generated business rates which currently total £675,230.65. These have been collected from businesses at the IHub, now known as the Derby Nuclear Skills Academy.

The Investment Board approved £6.875m from the Getting Building Fund and £2.2m from the Growing Places Fund for the Nuclear Advanced Manufacturing Research Centre (NAMRC). The £2.2m is to be repaid using business rates earned from the Enterprise Zones.

Further units on Infinity Park were due to open in March 2023 and Summer 2024 which would generate future business rates.

Work was now underway to drive further investment into Infinity Park through

a group comprising Rolls Royce, Derby University, NAMRC, Derby City Council, D2N2 and Composite Braiding, representing the SMEs on the site. The group was currently identifying potential funding sources for developments including new manufacturing, R&D and educational facilities focused primarily on nuclear, but with other related sectors such as hydrogen also being encouraged. A discussion had been brokered with Cadent about the potential for the site to be hooked into the proposed East Coast Hydrogen pipeline. The LEP was also looking to ensure a strong social value ethos and to learn from our KAM project to ensure excellent aftercare for investors is built into the IPD offer.

RESOLVED to approve the ring fencing of business rates generated at Infinity Park to be spent on projects at Infinity Park with the first call on the monies to repay the £2.2m Growing Places funding for the NAMRC.

06/23 AUDIT SERVICES REVIEW OF D2N2 LOCAL ENTERPRISE PARTNERSHIP Lee Towers, Principal Auditor, attended the meeting and summarised the main findings from the recent Internal Audit review of D2N2 Local Enterprise Partnership (LEP).

The LEP's governance structures remained robust with adequate supporting terms of reference with policy and procedural documents in place. The Derbyshire County Council (DCC) D2N2 Accountant, in conjunction with the LEP's Head of Capital Programmes had provided regular and appropriate reporting to the D2N2 Investment Board detailing project and scheme expenditure, outputs and financial positions. Based on detailed testing of a sample of two Getting Building Fund projects in receipt of funding during 2021-22, the necessary evaluation, approval, monitoring and reporting procedures were being satisfactorily evidenced. The two recommendations raised during the previous Audit Services review, had been implemented.

As part of its responsibilities as Accountable Body to the D2N2 LEP, Audit Services have also certified grant claims in respect of the Growth Hub and Peer Networks grant allocations in accordance with grant terms and conditions.

Based on the findings detailed within this Report, associated recommendations and areas of good practice identified, Management may draw substantial assurance over the adequacy and effectiveness of the systems and controls in place. Whilst there was a sound system of governance, risk management and control minor weaknesses had been identified which include non-compliance with some control processes. No significant risks to the achievement of system/audit area objectives had been detected. These would be further improved by the implementation of the recommendations detailed within this Report.

The current Audit Services review raised three recommendations which are primarily the responsibility of the D2N2 LEP.

- ‘Lessons learned’ are established from recent website issues and that satisfactory controls are in place to mitigate the risk of similar issues arising again (**Medium Priority**).
- Board members signed Declarations of Interest and Codes of Conduct are brought up to date and published to the new D2N2 LEP website as soon as possible (**Medium Priority**).
- Written notice of the one-year extension to the Accountable Body Service Level Agreement is retrospectively made to Derbyshire County Council (**Low Priority**).

RESOLVED to note the report and its recommendations.

07/23 **DATE OF NEXT MEETING** The next meeting of the Investment Board would take place on a date to be confirmed.

08/23 **EXCLUSION OF THE PUBLIC FROM THE MEETING** **RESOLVED** that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information

SUMMARY OF PROCEEDINGS CONDUCTED AFTER THE PUBLIC HAD BEEN EXCLUDED FROM THE MEETING

1. To confirm the exempt minutes of the meeting of the D2N2 Investment Board held on 26 October 2022 (contains information relating to the financial or business affairs of any particular person (including the Authority holding that information)).
2. D2N2 Early Stage Angel Investment Fund (D2N2 ESAIF) (contains information relating to the financial or business affairs of any particular person (including the Authority holding that information)).
3. Growing Places Fund (contains information relating to the financial or business affairs of any particular person (including the Authority holding that information)).