

MINUTES of a meeting of the **D2N2 INVESTMENT BOARD** held on 7 January 2020 at Dunston Innovation Centre, Chesterfield.

PRESENT

E Fagan (D2N2 LEP) (In the Chair)

Councillors P Gilby (Chesterfield Borough Council), C Hart (Erewash Borough Council) R Jackson (Nottinghamshire County Council); B Lewis (Derbyshire County Council) S Webster (Nottingham City Council), and J Bradley Fortune (Inclusion Representative) and D Williams (D2N2 LEP).

Also in Attendance: D Ashcroft (Derbyshire County Council) Councillor Mick Barker (Derby City Council), J Battye (Derbyshire County Council), H Bowen (Chesterfield Borough Council), J Burley (Bassetlaw District Council), J Davies (Gedling Borough Council), S Freek (Highways England), T Goshawk (D2N2 LEP), N Gusson (D2N2 LEP), C Henning (Nottingham City Council), S Mason (Derbyshire County Council), N McCoy-Brown (Nottinghamshire County Council), S Rose (D2N2 LEP), W Morlidge (D2N2 LEP), I Sankey (Erewash Borough Council), J Seymour (Derbyshire County Council), N Taylor (Nottinghamshire County Council), S Wainwright (Derbyshire County Council), C Williams (Derby City Council), and D Wright (CLGU).

Apologies for absence were submitted on behalf of Councillor W J Clarke (Gedling Borough Council), M Holmes (Derby City Council), J White (Bassetlaw District Council),

01/20 DECLARATIONS OF INTEREST

D Williams declared a personal interest in relation to minute reference 13/20 – D2N2 Milestones Update - Becketwell, and Castleward, due to a business involvement with Derby City Council;

Councillor B Lewis - Derbyshire County Council in relation to minute reference 13/20 D2N2 Milestones Update – Ashbourne Airfield and A61 and & Minute reference 09/20 Project to approve Ashbourne Airfield and Minute 03/20 D2N2 Programme Performance Overview – Buxton Crescent

Councillor P Gilby – Chesterfield Borough Council in relation to minute reference 13/20 - D2N2 Milestones Update – HS2 Strategic Sites & Minute reference 06/20 Pipeline Projects – Revitalising the Heart of Chesterfield

Councillor S Webster – Nottingham City Council in relation to minute reference 03 - D2N2 Programme Performance Overview – Nottingham Castle

02/20 **MINUTES RESOLVED** to confirm the non-exempt Minutes of the meeting of the Infrastructure and Investment Board held on 30 September 2019.

03/20 **LOCAL GROWTH FUND PROGRAMME PERFORMANCE OVERVIEW**

All the projects across the programme had been reviewed and risks associated with delivering the agreed financial and output targets identified. Annex A of the report detailed the projects deemed to be High Risk, Annex B provided an update on progress of all approved or pre-compliance projects and included a RAG rating. Annex C provided three project change requests, the Buxton Crescent, Nottingham Castle and Vesuvius projects which were all requesting a change to their output figures following changes in circumstances to the projects. (Members noted that since the report was published the Vesuvius Works project would not be considered at this meeting and would be deferred to a future meeting)

Given the increased focus on performance on the back of the annual performance review milestones had been agreed and set with government to track performance of the programme and ensure that the targets were delivered for 2019/20. The new targets included the underspend from previous years.

Good progress was being made in achieving the targets set and work would continue to monitor and track performance through the Investment Board.

The Financial Milestones agreed for this year were:

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total 2019/20
Milestone target	£8M	£10M	£10M	£12M	£40M
Actual Spend achieved to date	£8.4M	£15.8M			£24.2M
Forecast Spend	£8.4M	£15.8M	£10M	£18M	£46M

The output targets up to Q2 for this year were:

	Total 2019/20	Achieved by 31/09/19	Full Year Forecast 19/20
Jobs created	300	124	1,396
Learners	500	350	480

D2N2 would continue to monitor the projected spend and outputs of projects quarterly against actuals to ensure that the LEP reached its end of year targets, and would highlight any risks to achieving the performance targets to both the Investment Board and main Board.

D2N2 has just begun an impact evaluation of completed LGF investments from the programme. Focus Consultants Ltd had been appointed to undertake the evaluation process and would investigate the impacts investments had made alongside a thematic evaluation of the programme. The draft report would be presented to the next meeting of the board on 30 January 2020.

Work would continue with all the projects and monitoring would continue with the risks associated with delivery affecting the programme.

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

RESOLVED (1) to note the progress on the D2N2 LGF programme; and

(2) to approve the change requests for Buxton Crescent and Nottingham Castle.

04/20 **LOCAL GROWTH FUND BUDGET** The current forecast showed that in 2019/20 the programme was overcommitted by £29.32m. This would be offset by the money being held by Derbyshire County Council to achieve a balanced budget.

The LEP and Accountable Body were currently reviewing the final two years grant profile to ensure a workable cash flow position.

The overall programme was now showing an over commitment of £4.11m which at the June 2017 IIB meeting was agreed to be funded from the Growing Places Fund.

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

RESOLVED that the report be noted.

05/20 **MILESTONES UPDATE** The Board agreed that this report should be considered under the exempt section of the meeting due to the commercially sensitive nature of some of the discussions that were required in relation to some of the projects

06/20 **PIPELINE PROJECTS** The board received a detailed report that set out the results of the D2N2 Pipeline call which was undertaken during summer 2019. As the final year of the programme was entered there was a need to ensure that any risks of underspending in the last year were mitigated by having a ready set of pipeline projects that could be accelerated on demand should any existing project not deliver.

Each project that was submitted had been independently appraised based by Thomas Lister on behalf of the LEP and given a score out of a maximum 81, with a minimum threshold of 61 as the bar for a project to be considered deliverable.

A detailed summary of the highest scoring pipeline projects from the Short-term call were being presented to the Board for consideration and a decision. These projects were; Revitalising the Heart of Chesterfield; Heathcoat Immersive Incubator; The Smarter Connected Campus; Nursing and Allied Health Provision; and Tollbar House. The Investment Board were recommended to agree that these projects be formally adopted on to the pipeline and be worked up into full applications to be funded through any underspend that became available as a result of any existing projects being delayed or undeliverable.

Board Members noted that since the report was published the Sinfin Business Park project would not be considered at this meeting as the promoter had withdrawn the application.

Alongside the short term call a speculative call was also undertaken for medium projects should the opportunity of any funding be available. At this time, given there had been no future funding announced the Board were asked to note the outcome of the scoring.

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

RESOLVED that the report be noted and that the 5 projects recommended in the report be formally adopted on to the programme and be worked up into full applications to be funded through any underspend that became available as a result of any existing projects being delayed or undeliverable.

07/20 AUDIT SERVICES REVIEW OF LOCAL GROWTH FUND 2018/19

The Audit Services Memorandum identified the key issues arising from the Internal Audit review of the D2N2 Local Enterprise Partnership (LEP) Local Growth Fund (LGF) processes and procedures and the services provided by Derbyshire County Council through the Service Level Agreement.

A number of areas of good practice had been identified and of the ten recommendations raised during the previous review, five were considered to have been adequately implemented indicating commitments to the Audit process and a desire to improve the control environment wherever possible.

The current Audit Services review raised ten recommendations, two of which were considered to be 'high' priority and include the need to ensure:-

- The funding projections for 2019/20 and 2020/21 continue to be closely monitored and adhered to wherever possible to avoid repetition of the disparity between projected funding amounts and the actual funding awarded during 2018/19. Although safeguards are in place to try and mitigate this risk,

due to the uncertain future of the Programme the implication of underspending funding allocations are currently unknown.

- Output targets continue to be closely monitored and reported upon to the IB (or equivalent) with increased pressure on individual projects as required. For those projects falling significantly behind in achieving agreed output targets, delivery schedules may need to be realigned and presented to the Board for approval.

RESOLVED to note the report.

08/20 **OUTPUT PERFORMANCE UPDATE** Members were provided with an update on the output performance of the Local Growth Fund

In return for £250m of Local Growth Fund contributions, D2N2 were expected to deliver outputs to contribute to the national economy as a result of the interventions it carried out in the economy. Over its 3 tranches of funding, the LEP are committed to deliver 29,000 Jobs, 10,800 Homes and 147,000 Learners over the projects lifetime which runs up to 2035.

This report provided an update on the following metrics:

- **Contracted output figures:** The output targets agreed between the project promoter and the LEP at the point of approving a Final Business Case.
- **Revised forecasts:** The projected output delivery figure for this financial year based on forecasts provided by the project promoters
- **Actual delivery to date:** outputs delivered to this date

All metrics were shown for the 2019/20 financial year, delivery since the start of the programme and the lifetime of the programme,

In terms of delivery up to Quarter 2 figures showed the Contracted target and delivery for the programme from 2015 to Q2 2019/20. The programme so far had achieved 79% of jobs mainly due to successful job creation at some of the smaller projects e.g. Medicity, Institute for Advanced Manufacturing which are both overachieving their targets. Homes have struggled at 35% which was due to the large numbers contracted but yet to be delivered at the Newark Southern Link Road due to an ongoing funding gap in the scheme. 40% of the learner target has been achieved to date, this was due to the Vision University project which had previously underachieved due to challenges within the college but was due to submit a reprofile bringing the forecast closer in line with delivery to the end of January meeting.

Earlier in the financial year D2N2 asked all projects with contracted output figures in this financial year to provide a revised forecast for 2019/20. This exercise

identified that the contracted output figures for this year would not be met, over half of the outputs contracted for this year which will not be achieved (3351 out of 6133 jobs) come from three projects, Infinity Park, Newark SLR and Our City Our River (OCOR). All of which are predicting either a zero (Newark) or very low (Infinity Park and OCOR) jobs figures for this financial year. Outputs recorded from the last monitoring period have been in line with contracted output figures for Quarter 2, the impact is predominantly on the target for the last half of the year.

In terms of the overall programme figures showed the output targets and delivery for the entirety of the Local Growth Fund Programme. These targets would be delivered over the lifetime (To 2035) of the Local Growth Fund with further outputs being delivered up until 2035. Discussions were ongoing with the BEIS local team with regards to the potential reprofiling of the contracted learner targets, which is believed to be closer to 1470.

Board Members made a number comments and asked questions which were duly noted or answered with particular reference made to the learners figure target of 147,000 by 2035. It was confirmed that discussions were ongoing with central government to get this appropriately amended as it was widely recognised that this was an incorrect figure.

RESOLVED to note the report and that a more detailed report would be submitted to the next meeting on 30 January 2020.

09/20 **PROJECT FOR APPROVAL – ASHBOURNE AIRFIELD** Approval was sought for £1m of Local Growth Funding for the Ashbourne Airfield project.

The business case had been submitted to and scrutinised by the D2N2 LEP and its Accountable Body and was summarised below.

This project was presented to the Board for funding by Derbyshire County Council as the Local Highway authority for the area but was very much a partnership project with Derbyshire Dales District Council (DDDC) and the Landowner/ Developer.

Representatives of DDDC attended the meeting along with the Landowner/ developer and representatives of GENECON & Thomas Lister Ltd, specialist advisers, to provide a presentation to members to supplement the report previously circulated.

The primary objective of this project was to provide highway infrastructure which enabled the development of new commercial floorspace as well as housing delivery to the Derbyshire Dales area. The delivery of the employment site and infrastructure opening up the neighbouring strategic housing allocation was a priority for Derbyshire Dales District Council. Without this infrastructure piece being implemented this key development site would not come forward for development and would not deliver the housing and employment opportunities to the area.

The project overall would see the delivery of a new roundabout access off the A52, a link road, 9 hectares of serviced and development-ready employment land forming Ashbourne Business Park, 367 new homes and private sector commitment to deliver at least 60,000 ft² of new employment floorspace.

The project would deliver:

- A new 50m three arm roundabout on the A52, connecting to a new 720m link road by the end of 2020.
- Construction of at least 60,000 ft² of commercial floorspace by the end of 2023.
- 9ha serviced employment site by 2021.

Derbyshire County Council was the promoter of the project as the Highways Authority, the landowner was the Harrisons family and developer FW Harrison Commercial Ltd, who would deliver the first phase of commercial floorspace.

The Ashbourne Airfield site was almost fully occupied, immediately to the east and south-east of the existing site there is a further opportunity of 33.5 hectares of development land to be brought forward for much needed employment land. The site also had the potential to develop a new community of 367 homes with associated community and leisure facilities.

The new roundabout and link road was required to address existing highway capacity problems and to facilitate the accelerated delivery of serviced land and employment floorspace providing access to Derby Road via the existing industrial estate and a second route to the A52.

The funding for the project is sourced from the following:

Funding Source	TOTAL
Local Growth Fund	£1,000,000
Harrisons (cash reserves and loans)	£5,017,000
Harrisons (in kind)	£200,000
Derbyshire County Council (in kind)	£836,000
Derbyshire Dales District Council	£200,000
Derbyshire Dales District Council (in kind)	£20,000
TOTAL	£7,273,000

In terms of approvals Full planning permission from Derbyshire County Council for the new roundabout junction was given on the 23rd September 2019. Derbyshire Dales District Council approved their funding at Full Council on the 30th May 2019. Private Sector Contributions have been confirmed via a letter from the Barclays Bank on the 14th of October 2019.

The project had been procured through the Midlands Highways Alliance (MHA) Medium Schemes Framework 3 with Eurovia as the lead contractor for the project.

The Business case assessment had confirmed that the project was State Aid compliant.

An Outline Business Case for the project was approved on the 21st of April 2016. The business case had been reviewed and deemed compliant by the D2N2 LEP and their Accountable Body. Hatch Regeneris had carried out an external Value for Money Assessment on the project and had confirmed that the project presents 'Strong' VFM.

The delivery timescale for the project was set out below:

- Site Preparation and Set up- January 2020
- Mobilisation-February 2020
- Actual Start on site-March 2020
- Complete September for Roundabout and Link Road October 2020

In terms of outcomes and outputs this project would create: 363 direct jobs, 138 indirect jobs and 367 homes.

The indirect jobs were proposed to be delivered by additionality to the economy from the local supply chain and inward investment.

These outputs were profiled to be delivered in the following financial years:

- 2021/22 – 121 Jobs (Direct)
- 2022/23 – 41 Jobs (Indirect)
- 2023/24 – 242 Jobs (Direct)
- 2024/25 – 92 Jobs (Indirect)
- By 2029/30 - 367 Homes

The profile of expenditure of Local Growth Funding was £1,000,000 for 2019/20.

D2N2 anticipated that the project would achieve this level of spend as costs towards the scheme had already been recorded and further costs were to be accumulated before the main build contract.

An outline business case was approved in 21st of April 2016 and a Full Business Case has now been submitted in line with the approval process. The Accountable Body and D2N2 have assessed the Full Business Case submission and approval is recommended

The Investment Board are asked to approve the project and to release the £1,000,000 of LGF on the condition that the Hatch Regeneris report confirms the project represents good value for money. (Members noted that since the publication of the papers Hatch Regeneris had confirmed that the project did represent good value for money)

Members made comments and asked questions which were duly noted or answered.

RESOLVED to approve the project and to release the £1,000,000 of Local Growth Funding, subject to the condition that a land transfer be signed simultaneously with the grant offer letter of funding.

10/20 **DATE OF NEXT MEETING** The next meeting of the Investment Board would take place on Thursday 30 January 2020, at 10.00am at Gedling Borough Council Offices.

11/20 **EXCLUSION OF THE PUBLIC** **RESOLVED** that the public be excluded from the meeting during the consideration of the remaining items on the agenda to avoid the disclosure of the kind of exempt information detailed in the following summary of proceedings:

SUMMARY OF PROCEEDINGS CONDUCTED AFTER THE PUBLIC WERE EXCLUDED FROM THE MEETING

1. To confirm the exempt minutes of the meeting of the D2N2 Investment Board held on 30 September 2019.
2. To consider the report on Milestones Update (contains information relating to the financial or business affairs of any particular person (including the Authority holding that information)).
3. To consider the update report on Growing Places Fund (contains information relating to the financial or business affairs of any particular person (including the Authority holding that information)).