

MINUTES of a meeting of the **D2N2 INVESTMENT BOARD** held on 30 January 2020 at Gedling Borough Council Offices, Arnold.

PRESENT

E Fagan (D2N2 LEP) (In the Chair)

Councillors W J Clarke (Gedling Borough Council), P Gilby (Chesterfield Borough Council), C Hart (Erewash Borough Council), M Holmes (Derby City Council), R Jackson (Nottinghamshire County Council), B Lewis (Derbyshire County Council) S Webster (Nottingham City Council), J Bradley-Fortune (Inclusion Representative) and J White (Bassetlaw District Council).

Also in Attendance: J Battye (Derbyshire County Council), S Birkinshaw (Erewash Borough Council), C Carter (Nottingham City Council), N Cockrell (Bassetlaw District Council) J Davies (Gedling Borough Council), S Freek (Highways England), T Goshawk (D2N2 LEP), Rob Harding (D2N2 LEP), M Lamb (Newark & Sherwood District Council) N McCoy-Brown (Nottinghamshire County Council), S Rose (D2N2 LEP), J Seymour (Derbyshire County Council), L Sharp (Chesterfield Borough Council), N Taylor (Bassetlaw District Council), S Wainwright (Derbyshire County Council), C Williams (Derby City Council), and E Wong (Highways England)

Apologies for absence were submitted on behalf of D Williams (D2N2 LEP)

15/20 **MINUTES RESOLVED** to confirm the non-exempt Minutes of the meeting of the Infrastructure and Investment Board held on 7 January 2020.

16/20 **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 details of a project change request for the Vesuvius Works project who were requesting a change to their output figures following changes in circumstances to the project. The request was to move the delivery of 95 jobs and 6,503msq from Quarter 2 2019/20 to Quarter 1 2020/21 due to the new supermarket opening on site being delayed

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 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	£6.9M	£13.8M	£13.1		£33.8M
Forecast Spend	£6.9M	£13.8M	£10M	£18M	£46M

The LEP would continue to monitor spend with projects on an ongoing basis and would be working with promoters to ensure that full financial delivery took place in this year. Based on current forecasts the LEP were on track to spend the £46m which would meet the target set by Government and utilise the underspend which had been carried forward in to this financial year

The output targets up to Q3 for this year were:

	Total 2019/20	Achieved by 31/12/19	Full Year Forecast 19/20
Jobs created	300	298	1,396
Learners	500	388	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.

A number of further projects would be presenting output reprofiles to the 11 of March meeting including:

- A52 Wyvern
- Infinity Park
- Vision University Centre
- N2 Towns Centre
- Our City Our River

The LEP was working with the project promoters to gain an understanding of the issues related to the delivery of outputs and would work in partnership with the project sponsors to determine new forecast for output delivery.

D2N2 had 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 impact investments had made alongside a thematic evaluation of the programme.

Work would continue with all the projects and the risks associated with delivery affecting the programme would continue to be monitored. The table attached to the report highlighted those that were high risk.

Board Members were asked to note that following the Annual Performance Review by Government around the delivery of the Local Growth Fund that the D2N2 LEP had improved its rating from requiring improvement to good.

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 request for the Vesuvius Works project as detailed in the report.

17/20 **LOCAL GROWTH FUND BUDGET** The current forecast showed that in 2019/20 the programme was overcommitted by £28.69m. This would be offset by the money being held by Derbyshire County Council to achieve a balanced budget. The 5 pipeline projects had been added to the programme

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 currently showing an over commitment of £6.89m, which at the June 2017 IIB meeting was agreed to be funded by a £4m contribution from the Growing Places fund and the balances to be shared on an equitable basis by the 4 Upper Tier Authorities. However following the removal of the A46 Fairham project in 2019/20 financial year it was agreed that any over programme would be funded using D2N2 resources.

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

RESOLVED that the report be noted.

18/20 **OUTPUT PERFORMANCE UPDATE – QUARTER 3** 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 ran 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
- **Contracted Target with Government:** In return for the LGF contribution from government the LEP were targeted to deliver 29,000 jobs, 10,700 Homes and 147,000 Learners (Being Reviewed) by 2035.

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 3 the figures showed the Contracted target and delivery for the programme from 2015 to Q3 2019/20. The programme so far had achieved 80% of jobs mainly due to successful job creation at some of the smaller projects e.g. Medicity, Institute for Advanced Manufacturing which were both overachieving their targets. Homes had struggled at 42% 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. 41% of the learner target had 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 this 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) came from three projects, Infinity Park, Newark SLR and Our City Our River (OCOR). All of which were 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 had been in line with contracted output figures for Quarter 3, the impact was 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 was believed to be closer to 1470.

Analysis has been done by the Accountable Body and the LEP to review each projects outputs and it was believed that the targets set by Government could be achieved by all the projects including the unapproved projects.

Appendix A to the report showed the outputs achieved compared to the contracted up until Quarter 3 2019/20. This was then shown against the total

outputs target as agreed with BEIS, the learners figure had been adjusted to 1470 from 147,000 for this graph. Appendix B shows analysis of the outputs by project.

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

RESOLVED (1) to note the report ; and

(2) that a more detailed report on Outputs up to 2035 be presented to the next Board meeting.

19/20 **NEW ASSEMBLY ROOMS** Councillor M Holmes, Derby City Council informed the Board that at the recent monthly Project Board meeting, it had been agreed that due to increased cost forecasts, the project would be longer continuing, although the Council were still committed to providing a venue for cultural and leisure activities within the City

RESOLVED (1) to note that the New Assembly Rooms project was no longer proceeding; and

(2) that the £4.48m funding would be returned into the Local Growth Fund Budget.

20/20 **N2 TOWN CENTRES UPDATE** The Board were updated on progress for the N2 Town Centres project and asked to agree a re-profile of the programme grant.

The N2 town Centres programme was a collection of projects from the Nottinghamshire Borough / District Councils which aimed to regenerate and revitalise town centres across the county through targeted investment. The programme was granted delegated approvals where decisions would be made by the N2 Town Centres project panel. On each occasion, the respective projects' Full Business Case (FBC) was subject to independent assessment which formed the basis of the considerations by the panel.

The panel had met twice since the last update and approved two further projects, Stapleford Police Station and Newark Buttermarket. A further meeting of the panel was planned for the 30 January to consider the Worksop Bridge Street project. Other panel meetings for February and March were being diaried with partners in anticipation of the receipt of the FBCs for the remaining projects.

The LEP, Accountable Body and Nottinghamshire County Council had also met with project managers from the Kirby in Ashfield Leisure Centre, Arnold Market and Carlton Square projects to discuss the projects in more detail and can confirm good progress was being made. The Stockwell Gate project was also making good progress following further discussions with the private sector developer delivering the scheme.

Discussions continued regarding their Chapel Lane Bingham project and a solution looks to be being brought forward shortly.

Following review, achieving the job output total looked to be challenging, but was subject to receipt of all FBCs and support from the accountable body and the LEP regarding wider outputs including residential units as reflected in the table below. This would come forward to the Investment Board on the 11 March 2020 for a financial and output reprofile.

Two of the projects received up-front development funding and the applicants were aware of the risk of clawback until fully compliant with the Local Assurance Framework. Both projects would need to demonstrate they were compliant and will achieve their outputs to remove any risk. As referenced above, the Arnold Market is one of these projects and is making good progress in bringing forward its FBC for assessment. Excellent progress has also been made with the Beeston Town Centre project, having met its pre-conditions.

The table appended to the report showed the current programme position. The 9 projects had been asked to provide an update on their milestones, which were summarised in the report. It was noted that the Old Town Hall Mansfield was now complete.

It was agreed that an updated report be presented to the June meeting and that any District & Borough Councils with projects that were deemed to be at high risk would be asked to attend the meeting to provide updates.

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

RESOLVED to note the update report and agree to re-profile of the programme grant

21/20 **NEWARK SOUTHERN LINK ROAD UPDATE** Matt Lamb, Newark & Sherwood District Council provided Board Members with an update on the Newark Southern Link Road Project which now had an identity of Middlebeck, Newark.

Phase 1 consisted of 600 dwellings to be provided by three developers and details were given of the dwellings completed or commenced as at 31 December 2019, and plans for the new primary school continued to progress.

The Board noted the update and that the project was progressing well, with confidence remaining high that the completion targets would be met, in what was a very important programme for the region

RESOLVED to note the update report

22/20 **GROWING PLACES FUND REVIEW** Jonathan Dixon, Jerroms Corporate Finance Ltd, attended the meeting and provided Board Members with the outcomes of the D2N2 Finance Review which had been commissioned by the LEP.

The objectives for the review were to identify and consider options for the reinvestment of returns from two regeneration schemes to support SME growth,

sites and infrastructure development, aligned with D2N2 LEP's strategic aims and objectives, in the context of current and foreseeable market trends.

A combined grant and loan scheme funded by Growing Places Fund (GPF).

Enterprise Zones (EZs) operated at four sites at Beeston Business Park, The Boots Site, Nottingham Science Park and Infinity Park Innovation Park.

D2N2 LEP has expressed a particular interest in options that will attract an 'evergreen, sustainable return'.

A review of the Growing places Fund and Enterprise Zone Uplifts had been undertaken and market overviews were provided for the Board

As part of the Options assessment consultees were asked to put forward proposals for a development project that might be funded from £13.1m Growing Places Fund returns alone. The survey identified three themes of interest:

Option 1: A loan fund to support infrastructure, sites and workspace development;

Option 2: A fund to support higher value quasi-equity or mezzanine business loans;

Option 3: A venture capital fund for early stage technology businesses; and

Option 4 : A fourth 'do nothing' option was added that considered the outcomes of continuing to operate the Growing Places Fund on the current trajectory

Each option was analysed against three parameters for fundability, viability and deliverability.

The favoured option was Option 1 which would be a £13.18m Urban Development Fund with:

- Loans to support office and industrial workspace
- Up to 70% LTV (average 60%), to fund £21.97m of development
- Loans valued £3m -£6m (£5m average) £5m -£10m value with leverage
- Loan term up to 5 years per deal
- Can fund up to three deals
- Establish under a Limited Partnership
- Tax efficient, arms-length structure that could channel further investment from EZ uplifts and other sources
- Utilise a professional fund manager, fee based on results
- Similar funds launched in the North West and in Sheffield are understood to have successfully achieved their objectives.

The favoured option also provided support for a connected sites strategy by:

- Mitigation of business rates

- New marketing schemes
- Rental guarantees or cover for developers' voids in the first three years post completion
- Target bigger, impactful and speculative (building for stock) projects to attract inward investors that seek a location in the area, especially those that are considered 'overspill' from greater London
- Increasing the quality of building stocks could create a greater competitive drive among indigenous businesses for higher profile workspace and would support upward travel in rental rates, which in turn, would create more interest among developers.

In terms of the next steps:

- Further modelling/sensitivity work to investigate the cost, marketing and deal flow development needs, risk and likely financial/impact returns.
- Consideration be given to a wrap-around strategy.
- To follow up work underway on EZ returns to evaluate the extent to which uplift of business rates from that source may be applied to a new fund.
- That approaches be made to other potential sources of investment, such as pension funds and local authority reserves, to explore the potential for growing the amount of investment capital that may be allocated.

Board Members made a number comments and asked questions which were duly noted or answered with the general consensus being to progress to the next steps and follow up with Sheffield City Region to share their experiences in successfully reaching their objectives and start to put a framework together.

RESOLVED (1) to further Explore Option 1 but look at the issues around the naming of the Urban Development Fund; and

(2) to look at Option 4 in more detail.

23/20 **DATE OF NEXT MEETING** The next meeting of the Investment Board would take place on Wednesday 11 March 2020, at 2.00pm at Derbyshire County Council, Smedley Street, Matlock.

24/20 **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 7 January 2020.

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)).