

D2N2 Investment Board – February 2021

Confidentiality Level	Restricted <input type="checkbox"/>	Controlled <input type="checkbox"/>	Public <input checked="" type="checkbox"/>	Commercially sensitive <input type="checkbox"/>
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Meeting and Date	D2N2 Investment Board – 11 th February 2021		
Subject	D2N2 Capital Performance Overview		
Author	T Goshawk	Total no of sheets (Excluding cover sheet)	4

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

The Board are asked to note the progress report on the D2N2 Capital programme.

The report highlights the current position on the programme and provides an update on each of the Local Growth Fund and Getting Building Fund.

The report also includes a change request for the Mushroom Farm project which the Investment Board is recommended to approve this subject to a successful reassessment of the Value for Money.

Annex A includes the Quarter 3 monitoring Dashboard for the Local Growth Fund for the Investment Board to approve.

D2N2 INVESTMENT BOARD

February 2021 D2N2 Capital Programme Overview

Introduction

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

It also outlines a change request for the Mushroom Farm Project in Eastwood.

Local Growth Fund Performance Update

Financial performance

The current Local Growth Fund Programme is due to finish on the 31st of March and after this deadline no expenditure from the programme will be allowed. Of the £250.7m allocation granted to the D2N2 LEP in 2015, we have £40,086,356 to spend in this financial year in line with the Government profile. At the end of Quarter 3 we have registered an actual spend figure of £32,288,122 leaving £7,798,234 to be spent in the final quarter of the year.

All projects in the Local Growth Fund have now gained an approval for their Final Business Case with the last project in the programme being approved at the January Investment Board meeting. LEP Officers are maintaining regular contact with project sponsors to ensure that spend profiles are not slipping and that this Financial Years targets will be met.

We recognise that there are always risks associated with delivering large scale capital schemes, at this moment in time based on the current assessment of the programme and if all the projects are approved as set out, we still believe that we will be able to achieve full spend of the Local Growth Fund. We have also over profiled by £1.8M to provide a buffer against any underspends.

A full budget breakdown is included within **Item 5** which includes both the financial position of the overall programme from 2015-2021 as well as a breakdown of each projects LGF drawdown for each financial quarter in 2020/21.

Getting Building Fund progress update

Following the announcement of the Getting Building Fund projects in August, D2N2 have now received the formal confirmation of their grant funding with the grant offer letter from MHCLG on the 25th of September. The LEP have 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 sent to Government of the finalised projects list the LEP will not be able to facilitate full use of the Getting Building Fund allocation within this financial year. The LEP will continue to work with project sponsors to accelerate spend where possible and any underspends will be utilised by Derbyshire County

Council's capital reserve in line with the Government's acceptance of freedoms and flexibilities in Capital funding management.

Progress is going well with the Getting Building Fund and we have spent £293,963 against a target of £340,034 in Quarter 3.

Subject to the approval of the UK Electrification of Aerospace Propulsion Facility which is being recommended for approval at today's meeting, we will have approved 6 out of 10 projects, representing 39% of the total funding value.

Milestones for each project are included within these Investment Board papers and the first two projects were presented and successfully approved by the Investment Board in October. The next projects for approval will be received at this meeting.

Programme Risk

As a LEP we continue to have ongoing dialogue with all projects to ensure that progress against forecasted targets is being made. The LEP communicates with all sponsors and monitors specifically the projects it deems to be at most risk of underachievement. We note that no capital project comes without risks and therefore look to work collaboratively with all project sponsors in an upfront and transparent manner to allow the best possible mitigations to be brought forward.

The LEP continues to discuss the potential flexibilities around the end of the programme with Government colleagues on a regular basis but as of this point, no flexibility has been granted to the LEP to extend the spend period beyond March 2021. The LEP will continue to monitor that situation and discuss any flexibility with Government but currently is operating to have achieved all spend by the agreed March 2021 deadline. LEP Officers are expecting to receive Quarter 3 monitoring returns in the middle of January and will verbally report the position of spend at the Investment Board meeting.

Annual Performance Review

The Annual Performance Review of the LEP took place on the 2nd of February and any specific feedback related to the work of the Investment Board will be delivered to this meeting verbally. The indicative outcome of the review has been shared prior to the meeting and D2N2 has been judged to be meeting the expectations of Government with regards to Governance, Strategic Impact and Funding Delivery.

Any final rating will be given to the LEP following the submission of Quarter 3 monitoring returns to Government.

LGF Change Requests

Broxtowe Borough Council have submitted a change request to the LEP which alters both the funding ask from Local Growth Fund and the final outputs delivered from the funding.

Any decision on this project will be subject to a recalculation of the Value for Money score and will be added as a condition to the approval should this be granted. Further details of the change request are included below

Project Name/ Promoter and description	Change Description	Reason for the Change	Impact of the change	Officer Recommendation
<p>Mushroom Farm</p> <p>Broxtowe Borough Council</p> <p>Construction of new small industrial units in Eastwood to create new space for SME businesses where the market cannot deliver this employment floorspace.</p>	<p>Funding and Outputs</p> <p>The total number of jobs created by the scheme will fall from 7.5 FTE to 4.5 FTE.</p> <p>The project will now only use £115,000 of Local Growth Funding compared to the initial offer of £160,000.</p>	<p>Following further consultation with Severn Trent Water, more extensive works were identified for the project's drainage management. This has led to a large increase in costs which would make the units unviable based on the funding packages available. Broxtowe BC have taken the decision to withdraw one unit which makes the project viable based on LGF funding.</p>	<p>The change leads to the development of unit 8 being withdrawn from the project thereby affecting output delivery and total LGF funding. This has little effect on the overall delivery of the programme and LEP Officers are confident all spend, and output targets will still be achieved.</p>	<p>The Investment Board are recommended to accept the change request for the project.</p>

Annex A – Quarter 3 LGF Monitoring Dashboard

LEP Name **Derby, Derbyshire, Nottingham and Nottinghamshire**

This Quarter: **Q3_2021**

Deliverables Progress

Category	This Quarter	Financial Year					Total
		15-17	17-18	18-19	19-20	20-21	
Housing							
Houses Completed	134	128	589	474	325	211	1,727
Forecast for year	2,260	878	1,140	1,150	510	2,260	7,331
Progress towards forecast	6%	52%	41%	64%	9%	-	24%
Jobs							
Jobs Created	182	373	1,295	2,043	6,736	800	11,047
Apprenticeships Created*	0	0	0	0	0	-	0
Jobs including Apprenticeships	182	373	1,295	2,043	6,736	800	11,047
Forecast for year	6,505	375	2,002	2,156	4,951	6,505	32,582
Progress towards forecast	3%	65%	62%	93%	136%	9%	34%
* Apprenticeships included within jobs totals prior to 2017							
Skills							
Area of new or improved floorspace (m ²)	0	5,430	13,500	2,000	0	-	20,930
Forecast for year	15,490	5,430	13,500	0	0	15,490	34,420
Progress towards forecast	0%	100%	-	-	-	-	61%
Number of New Learners Assisted	284	0	344	212	1,556	493	2,615
Forecast for year	1,226	0	381	642	396	1,226	3,518
Progress towards forecast	23%	90%	33%	35%	40%	-	74%
Transport							
Length of Road Resurfaced	0.0	0.0	0.0	0.0	0.0	-	0.0
Length of Newly Built Road	0.0	2.0	0.0	0.0	0.0	-	2.0
Length New Cycle Ways	0.0	0.0	1,185.0	-821.5	-132.4	3.9	136.0

Project Name	Project RAG Ratings		Project Name	Previous Quarter Q2_2021	This Quarter Q3_2021
	Previous Quarter Q2_2021	This Quarter Q3_2021			
Infinity Park - Derby	AG	AG	HS2 Toton	G	G
Bioscience Expansion, Nottingham	G	G	HS2 Staveley	G	G
Nottingham Skills Hub	AG	G	Sutton Indoor Market	G	G
Nottingham Boswansh	G	G	Derby Cycling and Ploecmaking	G	G
Chesterfield Centre Higher Level Skills	G	G	Midland Mainline	G	G
Vision University Centre, Mansfield	G	G	Sherwood Visitor Centre	AG	AG
Harworth Access Road	AG	AG	Sherwood Energy Village	G	G
Derby Place-making-The Spot	G	G	Slit Mill World Heritage Site	AG	AG
Nottingham Cycle City Ambition Package	G	G	N2 Towns	AG	AG
Newark Southern Link Road	R	R	MTIF	G	G
Seymour Link	G	G	Ceolung Access Road	AG	AG
A57/A60 Junction Works op	G	G	Nottingham Castle	G	AG
Nottingham Broadband	G	G	Vesuvius	G	G
Derbyshire Broadband	G	G	Technology Hub	G	G
Our City Our River	A	AG	Rail and Research Centre	G	G
LEP Management & Feasibility Funds	G	N/A	Riverside Business Park	A	A
D2N2 Sustainable Transport	R	AG	New Assembly Rooms	G	G
A51 Programme	AR	AR	HS2 Strategic Sites	N/A	N/A
Enterprise Zone Sustainable transport	G	G	Aitbourne Airfield	AG	AG
A52 Wyvern	A	AG	Cast Revard	G	G
A48 Concorc, Ruscliffe	A	AG	Nursing and Allied Health provision in Mansfield	G	G
Buxton Crescent	G	G	Top Wighay Farm	G	G
Institute for Advanced Manufacturing	G	G	Revitalising the Heart of Chesterfield	G	AG
Beckwithall	G	G	Tollbar House	G	AG
Medicity	G	G	Mulroom Farm	G	AG
Coalite	G	G	Smart Wireless Innovation Facility	G	AG
Asia Lovelace House	G	G	Woodville/Gvadincote regeneration route	N/A	N/A
Bulwell Market	G	G	GMCS	N/A	AG
Dakayne Street	G	G	YMCA Activity Village	G	AG
Southern Growth Corridor	G	G	Automation and Robotics	-	AG

Growth Deal Performance

Area lead comments

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Financial Progress

Category	This Quarter	Financial Year					Total
		15-17	17-18	18-19	19-20	20-21	
LGF Award							
LGF Award	£36,844,901	£39,080,000	£55,400,930	£66,368,375	£32,359,889	£17,424,093	£250,709,642
Forecast for year	£36,844,901	£83,696,630	£34,988,738	£45,652,036	£46,395,584	£32,289,122	£242,911,409
Progress towards forecast	56%	100%	88%	98%	88%	-	95%
LGF Expenditure							
LGF Expenditure	£14,619,811	£73,291,620	£29,400,673	£42,132,101	£4,054,308	£1,233,397	£230,111,999
Forecast for year	£36,844,901	£83,696,630	£34,872,001	£50,126,241	£47,503,399	£36,844,901	£255,043,642
Progress towards forecast	40%	84%	81%	114%	95%	-	90%
Non-LGF Expenditure							
Non-LGF Expenditure	£26,281,341	£88,876,493	£71,755,207	£53,312,119	£85,242,966	£76,487,315	£375,674,119
Forecast for year	£144,199,943	£77,471,362	£77,471,361	£176,968,385	£144,199,843	£476,101,030	£476,101,030
Progress towards forecast	18%	93%	93%	49%	53%	-	79%
Total LGF + non-LGF Expenditure							
Total LGF + non-LGF Expenditure	£181,044,844	£162,168,103	£101,156,780	£95,444,221	£129,297,304	£107,720,712	£605,786,119
Forecast for year	£81,044,844	£83,696,630	£112,343,963	£129,537,592	£224,461,664	£181,044,844	£731,144,672
Progress towards forecast	23%	-9%	-9%	-74%	-62%	+58%	83%

Contractual Commitments (manual entry)

Category	This Quarter	Financial Year					Total
		15-17	17-18	18-19	19-20	20-21	
Forecast							
Forecast	£40,897,153	£83,700,000	£34,870,000	£51,510,000	£46,000,000	£34,630,000	£250,710,000
Actual	£119,383,090	£15,760,970	£79,444,220	£19,277,975	£19,843,755	£260,710,000	£260,710,000
Variance		+43%	-56%	-48%	-58%	-43%	-9%

Commentary

Outputs - The Derbyshire Broadband project has connected an additional 954 premises to Superfast broadband. 182 jobs were achieved in the Quarter 3 monitoring period against a total forecast of 131. 284 learners have been delivered in Quarter 3, 420 were forecast; there has been a delay in some learners starting courses due to current Covid restrictions. 134 homes were delivered against a forecast of 25 this quarter. Turnover/Expenditure - in quarter 3, 9 projects have received more grant than LGF expenditure. A51 Concorc, Automation and Robotics, Revitalising the Heart of Chesterfield, SWIFI, Tollbar House, Top Wighay Farm, HS2 Strategic Sites and Woodville/Swadincote due to slower spend because of Covid during the quarter. Further discussions with these projects are taking place to ensure full LGF expenditure can be achieved before March 2021. Commitments - At the end of quarter 3 the programme was 100% contractually committed. Covid 19 Regular dialogue continues with promoters with a close eye being kept on the changing restrictions within the D2N2 area and the impact this has on the ability of projects to spend all of their LGF. However, all projects which have LGF grant this year are still reporting that their projects can spend their allocations by the 31st March 2021. RAG Rating - Covid 19 has clearly had an effect on the programme with projects expected to take longer and costs expected to rise. The RAG rating has been based upon updates from promoters but as previously mentioned it is still too early to be able to fully assess the impacts of Covid 19. Four projects have changed from A to AG, OCCOR and A52 Wyvern have reconfirmed their outputs and the HS2 Town Centre project is now progressing well and the final element of the A48 has now been approved. Seven projects have moved from G to AG, with Nottingham Castle and Slit Mill unable to open to the public due to Covid restrictions and revitalising the heart of Chesterfield, Tollbar farm, Mulroom farm, SWIFI and YMCA all reporting a slightly delayed start to a mixture of issues, Covid supply chain problems being one.

LEP Chief Executive Approved

Name: Sigrada Rose

Signature:

Date: 27/01/2021

Section 151 Officer Approved

Name: Peter Handford

Signature:

Date: 27/01/2021