

MINUTES of a meeting of the **D2N2 INVESTMENT BOARD** held on 11 February 2021 via Microsoft Teams

PRESENT

E Fagan (D2N2 LEP) (In the Chair)

Councillors P Gilby (Chesterfield Borough Council), M Holmes (Derby City Council), R Jackson (Nottinghamshire County Council), J White (Bassetlaw District Council, and D Williams (D2N2 LEP) and J Bradley-Fortune (Inclusion Representative).

Also in Attendance: D Ashcroft (Derbyshire County Council), J Battye (Derbyshire County Council), E Dennis (Bassetlaw District Council), C Durrant (Chesterfield Borough Council), T Goshawk (D2N2 LEP), S Rose (D2N2 LEP), P Seddon (Nottingham City Council), N Stevens (Nottinghamshire County Council), L Sycamore (Gedling Borough Council), N Taylor (Bassetlaw District Council) Sarah Wainwright (Accountable Body) C Williams (Derby City Council) and D Wright (BEIS)

Apologies for absence were submitted on behalf of Councillors W J Clarke (Gedling Borough Council), C Hart (Erewash Borough Council) and B Lewis (Derbyshire County Council).

11/21 **MINUTES RESOLVED** to confirm the non-exempt Minutes of the meeting of the D2N2 Investment Board held on 13 January 2021

12/21 **D2N2 CAPITAL PROGRAMME PERFORMANCE OVERVIEW** Board members were given 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.

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

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

The current Local Growth Fund Programme was due to finish on the 31st of March and after this deadline no expenditure from the programme would be allowed. Of the £250.7m allocation granted to the D2N2 LEP in 2015, the LEP had £40,086,356 to spend in this financial year in line with the Government profile. At the end of Quarter 3 the LEP had 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 had 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 were maintaining regular contact with project sponsors to ensure that spend profiles were not slipping and that this Financial Years targets would be met.

The LEP recognised that there were 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 were approved as set out, it was still believed that the LEP would be able to achieve full spend of the Local Growth Fund. The LEP had also over profiled by £1.8M to provide a buffer against any underspends.

A full budget breakdown was included within Item 5 to be considered at this meeting, which included 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.

Following the announcement of the Getting Building Fund projects in August, D2N2 had now received the formal confirmation of their grant funding with the grant offer letter from MHCLG on the 25th of September. The LEP had 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 would not be able to facilitate full use of the Getting Building Fund allocation within this financial year. The LEP would continue to work with project sponsors to accelerate spend where possible and any underspends would be utilised by Derbyshire County Council's capital reserve in line with the Governments acceptance of freedoms and flexibilities in Capital funding management.

Progress was going well with the Getting Building Fund and officers 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 was being recommended for approval at this meeting, the LEP would have approved 6 out of 10 projects, representing 39% of the total funding value.

Milestones for each project were 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 would be received at this meeting.

The LEP continued to have ongoing dialogue with all projects to ensure that progress against forecasted targets was being made. The LEP communicated with all sponsors and monitors specifically the projects it deemed to be at most risk of underachievement. They noted that no capital project came without risks and

therefore looked 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 continued 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 had 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.

The Annual Performance Review of the LEP took place on 2 February and the feedback that had been received relating to the work of the Investment Board was given at the meeting. The indicative outcome of the review had 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 would be given to the LEP following the submission of Quarter 3 monitoring returns to Government.

Following a request from Broxtowe Borough Council to alter the output profile and funding ask of the Mushroom Farm project, Broxtowe Borough Council had undertaken work to revise the schedule of outputs for the project and submitted formal project change requests to the LEP for approval, which were detailed in the report.

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

RESOLVED (1) to note the current position on the programmes and the update on projects;

(2) to approve the change request from Broxtowe Borough Council to the Mushroom Farm project as appended to the report; and

(3) to approve the Quarter 3 monitoring Dashboard for the Local Growth Fund for the Investment Board as appended to the report.

13/21 **CAPITAL PROGRAMME BUDGET** In relation to the Local Growth Fund the current forecast showed that in 2020/21 the programme was over committed by £1.77m which would be funded from the Growing Places Fund (GPF).

The LEP and Accountable Body continued to work closely with projects regarding grant profiles and expenditure figures for the remaining projects and would be monitored closely throughout the year to ensure any grant given could be evidenced with expenditure. Government had confirmed there was no extension to the programme and all monies must be spent by 31st March 2020.

The overall budget position was shown in Appendix 1 to the report. The grant profile for the final year of the programme 20-21 was shown in Appendix 2.

In relation to the Getting Building Fund on the 25th September D2N2 received their grant offer agreement from Government confirming the £44.4m allocation and the payments schedule of £22.2m in 2020/21 and £22.2m in 21/22.

All projects within the programme had now submitted their spend profiles to the LEP and Accountable Body as detailed in Appendix 3 to the report. LEP's had been given permission to utilise their freedoms and flexibilities with their Accountable Body to allow any cash underspends in 20/21 to be spent using other capital expenditure from the Accountable Body, with the funding being returned to the LEP in the following year.

The programme was overcommitted by £2.47m which would be funded by using the Growing Places Fund (GPF)

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

RESOLVED that the report be noted.

14/21 **D2N2 MILESTONES - UPDATE** The Board were asked to note the Milestones report on the D2N2 Getting Building Fund Programmes

The report showed the Milestones that were agreed within the last year and detailed the progress against the delivery of those milestones. Details of each individual project were provided at the meeting and recommendations followed each project giving their milestone progress. Further verbal updates were given by some of the promoters at the meeting.

Drakelow Park (Drakelow Developments Limited) - The Investment Board were recommended to note the milestones and await the final business case for approval in June 2021. The project would continue to be monitored through its milestones and should any further delays to the milestones take place then the project sponsor will be called to the Investment Board to present next steps.

Transforming Nottingham's Southside (Nottingham City Council) - The Investment Board were recommended to note the milestones and await the final business case for approval in March 2021.

MRC Midlands (Derby City Council) - The Investment Board were recommended to note the delay in the milestones and await the final business case for approval in July 2021.

SmartParc (Derby City Council) - The Investment Board were recommended to note the milestones and await the final business case for approval in October 2021

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

RESOLVED to approve the recommendations above, as detailed in the report.

15/21 **OUTPUT PERFORMANCE UPDATE – QUARTER 3** Board Members were informed that as part of the contractual commitment for the £250m of Local Growth Funding, D2N2 had a series of output targets as a mechanism of measuring the impact on the economy. The LEP were committed to deliver 29,000 Jobs, 10,700 Homes and 2,000 Learners over the projects lifetime which ran up to 2035, which was beyond the financial end of the programme in 2021 recognising that most of the activities would generate impact much later than the initial investment.

The report provided a detailed 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.
- **Actual delivery to date:** outputs delivered to this date
- **Contracted Target with Government:** In return for the LGF contribution from government we are targeted to deliver 29,000 jobs, 10,700 Homes and 2,000 Learners by 2035.

All metrics were shown for the 2020/21 financial year, delivery since the start of the programme and the lifetime of the programme

Appendix A to the report showed the outputs achieved compared to the contracted up until Quarter 3 2020/21 and Appendix B shows analysis of the outputs by project.

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

RESOLVED to note the update report.

16/21 **AUDIT SERVICES REVIEW OF THE D2N2 LEP** Board members were provided with a summary of findings following the Audit Services review of the Local Enterprise Partnership.

The Audit Services Memorandum summarised the main findings from the recent Internal Audit review of D2N2 Local Enterprise Partnership (LEP) which focused on the Local Growth Fund (LGF) and the services provided by Derbyshire County Council through the Service Level Agreement. The purpose of this paper was to provide a summary of the findings to the Investment Board.

The LEP's governance framework was deemed appropriate in terms of the documents which had been reviewed, approved and published on the website, and also with regard to the Board's structure. Declarations of interests had been made by all LEP Board members and also published on the D2N2 website. Reporting structures and reporting lines remained similar to previous years with the main D2N2 Board receiving reports from the Investment Board, which was the key forum for receiving Local Growth Fund (LGF) monitoring updates and where new projects were considered and approved. The two advisory boards, Innovation Board and Business Growth Board, which previously supported the LEP Board had now been combined as the Business Growth Board with new Terms of Reference approved by the LEP Board.

The Derbyshire County Council (DCC) D2N2 Accountant, in conjunction with the LEP's Head of Capital Programmes, provided regular and appropriate reporting to the Investment Board in accordance with the expected requirements regarding LGF expenditure, outputs and its financial position. Detailed reviews were undertaken on three Local Growth Fund projects approved and funded during 2019/20 to ensure compliance with the scheme.

Entering the final year of the Local Growth Fund programme it is of particular importance that expenditure was closely monitored to ensure allocations were spent. The LEP and Accountable Body would continue to monitor all projects with the objective that expenditure allocations were achieved; those projects at a higher risk of underspending were being monitored on a monthly basis. There was an additional programme of projects totalling £1.8m to supplement those which cannot spend the allocated LGF funding.

The D2N2 Accountant had overseen the appointment of an External Auditor (HSKS Greenhalgh) in 2019-20. This appointment would add further oversight and assurance to the operations of the LEP and DCC's role as Accountable Body.

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

The current Audit Services review raised two recommendations which were relevant to both the LEP and DCC as Accountable Body:-

- It was identified that there was no signed grant agreement in place to cover the Growing Places Fund (GPF) loan to Nottingham City Council in relation to the Boots EZ project. Therefore it should be ensured that such an agreement was signed by the grant recipient as soon as possible. In addition, one novation document had not been signed by the promoter and should be followed up to obtain the promoter's formal agreement.
- There were no specific procedures in place to cover debt recovery if loan repayments were missed by promoters other than clauses within the loan

agreement documents. Therefore it may be beneficial to develop a set of administrative procedures in relation to addressing missed loan repayments prior to referral to Legal Services.

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

RESOLVED to note the findings of the report.

17/21 PROJECT FOR APPROVAL-UK ELECTRIFICATION OF AEROSPACE PROPULSION FACILITY (UKEAPF) Members were informed of a request for £7.6m from Nottingham University from the Getting Building Fund to support the UK Electrification of Aerospace Propulsion Facility (UKEAPF) project.

In order to support D2N2 and the accountable body, the project had been independently assessed against the requirements of the local assurance framework by Amion consultants.

This project being put before the Investment board has now been assessed and was being recommended for consideration and approval based on its full compliance with the LAF.

UK Electrification of Aerospace Propulsion Facility (UKEAPF) at the University of Nottingham was a proposed new facility to accelerate the necessary developments required for the greening of aviation. With the international agreement on climate change being implemented by governments worldwide, it was clear that aviation had to transform the way aircraft were powered to meet these commitments. The use of electrical systems, whether powered by green fuels such as hydrogen, sustainable aviation fuels or batteries, would all require rigorous testing and the facilities for doing this do not exist in the UK today. Aviation was consequently moving into a significant period of disruption and UKEAPF was required to ensure that the UK retained its status as the second largest aerospace industry in the world.

The University of Nottingham was considered the best place in the UK to house this facility as it had the world-leading expertise required to deliver the benefits to the whole supply chain. The University was home to the Power Electronics and Machines Centre (PEMC) and the Institute for Aerospace Technology (IAT), which had driven the development of power electronics, motors and drives technology over the past 20 years. This included coordinating the EPSRC Centre for Power Electronics, hosting the Midlands Industrialisation Centre for the Driving the Electric Revolution Industrial Strategy Challenge Fund, forming the Power Electronics spoke for the Advanced Propulsion Centre and leading the Power Electronics Work Package in the EU Funded €4 billion Clean Sky 2 programme.

The £7.6 million request of Getting Building Fund capital funding would deliver the necessary equipment to incorporate into the facility. The funding would unlock a

further £9.285 million of investment. The University was also providing further funding towards the development of the Power Electronics, Machines and Control building (PEMC) which will house the UKEAPF Centre

Detailed summaries were given of the Strategic Case/Fit; Economic Case and expected outcomes; Commercial Case; Financial case and Management Case along with the assessors comments in each area and their recommendation

Professor Christopher Gerada, and Doctor Hitendra Hirani and (University of Nottingham), attended and provided a presentation to compliment the report in terms of the Strategic, Economic, Financial, Commercial and Management case for the project.

Following a review of the business case alongside the independent assessment of the market evidence, officers recommended that the business case for £7,600,000 of Getting Building Fund be approved by the Investment Board as the project aligned to the Local Assurance Framework requirements and aligned strategically with D2N2's Growth Strategy. The recommendation is given with the following requirements to be met:

- A detailed risk register is provided and updated including key risks, scoring, mitigation and individual responsible.
- The University of Nottingham informs D2N2 LEP throughout the procurement selection process.

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

RESOLVED to approve the project and to release the £7.6m of GBF grant to The University of Nottingham, subject to the conditions listed.

18/21 **NATURAL ENVIRONMENT INVESTMENT READINESS FUND** Board Members were informed that the Government had announced that nature projects in England which tackled climate change, created and restored habitats, or improved water quality could benefit from a new £10 million fund to help them both deliver environmental benefits and attract private sector investment.

The Natural Environment Investment Readiness Fund would provide grants of up to £100,000 to environmental groups, local authorities, businesses and other organisations to help them get specialist advice, engage investors and build capacity to develop their nature projects to the point where they can attract and repay private investment.

RESOLVED to note the scheme, and that details had been circulated to the Investment Board officers group.

19/21 **LEP SCRUTINY REVIEW WORKING GROUP RESOLVED** that a summary on the findings of the Working Group to review the LEP be presented to the next meeting.

20/21 **DATE OF NEXT MEETING** The next meeting of the Investment Board would take place on 10 March 2021 at 12 Noon.