



LEP INVESTMENT COMMITTEE

11th August 2020

Via MS Teams

Draft Minutes

<u>Present:</u>	
<u>Board Directors:</u>	Pat Doody - Chair Cllr Colin Davie (LCC), Cllr Philip Jackson (NELC) part of the meeting, Dean Fathers (Health), Chris Baron (Butlins)
<u>LEP Officers:</u>	Halina Davies, Ruth Carver, Cathy Jones, Sue Groves (Note Taker)
<u>Observers:</u>	Pete Holmes (BEIS), Linsay Hill Pritchard (AB), Andrew Crookham (Accountable Body & S151 Officer) part of the meeting, Cllr Richard Hannigan (NLC)
<u>Apologies:</u>	Cllr Rob Waltham (NLC)
<u>Welcome by the Chair</u>	
<u>Apologies and Declarations of Interest</u>	
<u>Declarations of Interest</u>	
Cllr Colin Davie - Holbeach Phase 2 (Paper 4) & Boston and Horncastle College (Paper 7)	
Cllr Philip Jackson - Cycling Programme (Paper 6) & Europarc FEZ Unit Disposal (Paper 9)	
Full declarations of interest can be found at https://www.greaterlincolnshirelep.co.uk/documents/declarations-of-interest-register-nov-2016/	
<u>Minutes from Previous Meeting (Paper 1)</u>	
The minutes from the Investment Committee held on 5 th August 2020 were accepted as a true record.	
<u>Terms of Reference (Paper 1.1) - Ruth Carver</u>	
<ul style="list-style-type: none"> ➤ Annual Review of Terms of Reference for the IB. Proposing one amendment to allow any GLLEP Board member to join the Investment Board meetings when decisions are required. Discussion took place and it was agreed that this should remain but additional directors invited to the on the IB. ➤ Query raised about points 9.2 and 9.5 in the Terms of Reference regarding majority decisions and it was agreed that 9.2 related to decisions at meetings and 9.5 related to decisions by written procedures. Needed clarification in the TOR;s ➤ Agreed that two Board members (one private sector and one public sector) are required for decisions on projects over £2m. 	
Actions:	
<ul style="list-style-type: none"> ❖ KS to amend the TOR's as above. Once amended circulate via the chair to the IB for approval ❖ RC to invite private sector GLLEP Board member to join the Investment Board. This may be two members due to one current member stepping down in December. 	
<u>Approved Paper on Skegness Business Park (Paper 2) - Halina Davies</u>	
<ul style="list-style-type: none"> ➤ This paper is for information only regarding the contract variation option and was approved at the Board meeting held on the 30th September. 	
<u>For Getting Building Fund Update (Paper 3) - Halina Davies</u>	
<ul style="list-style-type: none"> ➤ The Investment Board was asked to note the progress made in delivery of the Getting Building Fund Programme, and measures being taken to ensure 50% of grant expenditure this financial year, as well as the following financial year as required by Government. ➤ Key things to note are the 2 programmes with 4 schemes with provisional Getting Building Fund allocation with one scheme currently classed as an amber risk, ie, Killingholme project where the due diligence is yet to be completed, with queries relating to land ownership and outputs, but will be discussed at the Investment Board arranged for the 27th November. ➤ A letter from MHCLG was sent to the LEP Chief Executive on the 18th September clarifying funding requirements and setting out when and how the grant funding will be released to the Accountable Body. Good progress has been made with the due diligence reports as can be seen in today's agenda and will move to contracting stage if the Board approves the schemes, ie, Holbeach Phase 2, Grimsby Cycle Super Highway and LSIP Phase 2. ➤ The Centre for Innovation and Rural Health scheme has already been through due diligence, but 	

will now be subject to a deed variation of contract and is being progressed with the Accountable Body.

- Call for projects to make up the Skills Capital Investment Programme closed in early September and recommendations are being made to the Board today (Paper 7 and appendices).
- The IB challenged the team on deliverability of the pipeline should any scheme slip in the GBF programme.

Getting Building Fund Programme - Holbeach FEZ Phase 2 (Paper 4) - Halina Davies

Cllr Davie left the room for this item, due to his conflict of interest

- Seeking Investment Board approval to contracting stage for the Holbeach FEZ Phase 2 project provisional allocation of £6,432,161 which includes a contribution of 0.5% towards project management fees.
- Phase 2 of the project requires £8.5m in total to be delivered and the Getting Building Fund grant of £6.36m contributing to the design and construction costs, but because the fees element has been increased, the overall cost of the project will be £13.7m
- 220m of site access road infrastructure and a brand new Hub building for the FEZ site.
- The site road will extend to the western boundary of the site and will give access to the remaining 8 plots of Phase 1 and will be completed by April 2021.
- The new Hub building will start construction around April 2021 and will provide high quality business space and collaboration space for SMEs, businesses working in the supply chain and related businesses and is expected to be completed by March 2022.
- The land acquisition for the next stage of the proposed FEZ site is not being funded by the LEP grant and negotiations are expected to be completed by December and terms have already been agreed and the Board should be aware that match funding has already been secured would cover the cost of the land acquisition element of the Phase 2 scheme. The LEP has been informed by the Legal team that contracting of Phase 2 would also require a variation into the contract already in place for the Phase 1 scheme to show the relationship between the two contracts because they are 2 different programmes, ie, Getting Building Fund and Single Local Growth Fund.
- Due diligence has identified that the overall the package of outputs delivered by the scheme is considered to provide good value for money and outcomes include 973 new jobs being delivered and 22 new businesses being created on the Phase 2 element of the site.

Until the meeting was quorate, the discussion continued later, therefore **Cllr Davie re-joined the meeting**

Invest and Grow fund Application Haatch Desks (Paper 5) - Cathy Jones

- An Expression of Interest application has been received from a project seeking £2-2.5m to develop new office/meeting room spaces, before going to a full application if the Board wishes it to go forward.
- The GLLEP Board of Directors recently confirmed the intention to close the Invest and Grow Fund and repurpose this funding as part of our Covid response and recovery planning. There was a slight delay while the LEP sought confirmation from Government that this fund could be used in this way. However, the expression of interest was received during the delay of confirmation and has been given due consideration.
- The applicant seeks to develop new office and meeting spaces at St Martins Park in Stamford in an existing building which the applicant describes as iconic to Stamford and which is currently owned by SKDC. The project does not have planning consent but the applicant would only expect to purchase with planning consent in place.
- It appears to be a straightforward project with a robust track record and invest in early-stage technology companies, which include Kiddicare and Elevaate.
- This project does not meet the aim of the Fund, which is to unlock stalled infrastructure. In this project there are the inevitable development uncertainties but no infrastructure constraints have been identified and that they have other options for funding.

Decision:

- The Investment Board agreed that this project should not be taken forward to full application stage.

Getting Building Fund Programme - Cycling Programme - Immingham to Grimsby Cycle Superhighway scheme (Paper 6) - Halina Davies

- This project will complement the existing quality off-road cycle infrastructure alongside the new South Humber Bank link road and Moody Lane, which has been on the pipeline for some time, and comprises three elements:
 - A1173 Immingham-SHIIP (Stallingborough site) off road cycle link
 - Hobson Way, Immingham off-road cycle link
 - A180 Westgate, Grimsby off-road cycle link
- North East Lincolnshire Council is the lead applicants for the project and would act as the Accountable Body for the scheme working with its strategic partner ENGIE.
- The overall project requires £2.6m to be fully delivered with a Getting Building Fund grant of £2.2m, contributing to the design and construction costs and will look to retain £11,140 from the provisional scheme allocation towards GL LEP fees. NELC will also contribute a further 0.5% towards due diligence, legal and management fees.
- This would make the total requirement towards the project £2,239m, leaving approximately £26k, lower than originally planned.
- Suggested that this unallocated amount could be added to the Skills Capital Investment Programme via a further government change request should the Investment Board agree to this approach.

Decision:

- Investment Board endorsed the programme to go to full contract.

Cllr Philip Jackson and Andrew Crookham joined the meeting
Cllr Colin Davie left the room

Continuation of Getting Building Fund Programme - Holbeach FEZ Phase 2 (Paper 4) - Halina Davies

Decision:

- The Investment Board Approved the scheme for the GBF, with the following conditions
- Ensure that the contract stipulates food sector businesses occupy the hub and site
- The applicants are asked to engage with the food board and the Health & Care Enterprise Board on the aims and strategy of the scheme, as well support to tenants
- Monthly monitoring agreed by the AB

Cllr Davie re-joined the meeting

Getting Building Fund Programme - Lincoln Science and Innovation Park Phase 2 (Paper 8) - Halina Davies

- Following successful delivery of LSIP Phase 1 and based on the GLLEP funded feasibility study for Phase 2, the project consists of two elements and is on the pipeline and was classed as a deliverable scheme last year.
- It's made up of enabling works on the Phase II site and sits alongside LSIP Phase I and also provision of an R&D anchor development, ground defence technologies - ISTAR Research Institute, and the scheme is at a reasonably advanced stage on design and capable of delivery in the short term
- Due diligence has identified that outputs are considered to be reasonable and in some cases poor value for money, but having looked at the ratios, some of the outputs may need to be re-visited, but significant benefits from the project, which justifies the investment for a highly strategic scheme.

- The main risks include a potential planning delay for the final design, although already in discussions with the Council's planning team and any changes to the design will be minimal.
- Only other concern is the slow take-up of commercial space and this has been taken into account.
- The substantial due diligence which has been undertaken and has said that the project has a moderate risk for investment. There are conditions to the investment which are straightforward.
- Recommend the £3.4m funding, which includes the LEP's fees.

Comments:

- ❖ Paper 8 requires amendment on Page 2.
- ❖ Accounts have been examined and even though due diligence points out not value for money, this is an error in the due diligence report and the scheme is good value for money - to be amended and republished
- ❖ Suggestion that those in LSIP Phase 1 starter spaces eventually move to LSIP Phase 2 spaces, therefore, freeing up Phase 1 starter spaces for new businesses.

Decision:

- Investment Board agreed to support the scheme.

Getting Building Fund Programme - Skills Capital Investment Fund Programme (Paper 7) - Halina Davies

- GLLEP was awarded £7.6m for a new Skills Capital Investment Fund
- A change request was put to Government to see if £301,500 could be added from the previous Coastal Highways cycle scheme, which was not ready to proceed, making the amount available to projects £7,884,360.
- The allocations must be spent by March 2022 and to be delivered by 2025.
- There were 11 schemes for consideration and an officer panel was brought together to score the submissions with regard to Strategic Assessment as per the assurance framework guidance on the 28 September, and subsequently an independent Economic Assessment was carried out on behalf of the LEP to complete the overall project scores. Recommended allocations have taken into account the overall scores for strategic assessment, economic case, deliverability and impact; to what extent the projects addressed the main focus of the programme; and match funding levels and status. An independent assessment was carried out by Thomas Lister Ltd.
- The top five schemes shown below achieved 'high priority' status by being scored 35+ overall. We therefore recommend that all five of these schemes are approved for provisional Skills Capital Investment Programme **allocations** and can proceed to due diligence stage:
 - The Care CoRE (Centre of Excellence for Care)
 - Engineering, Logistics, Innovation, Technology and Energy Skills (ELITE)
 - Construction Centre Extension
 - GC Energy Centre: Engineering and Construction
 - Lincoln Institute of Technology (Holbeach Hub)
- The top 5 schemes were in the highest priority status, ie, they scored over 35, and recommend that these 5 schemes are approved, which total £6.7m with £1.18m left to allocate. To allocate this funding to one of the next 3 projects, ie, Lincoln College, Horncastle College and Digital Learning and Infrastructure Project, additional funding would have to be found. All projects were similar in scoring and all are value for money in their own way. Difficult to make a recommendation as to which project should go forward, but based on deliverability and that there is no training provision in Horncastle, the Board should discussed to make a decision.

Decision:

- Support for the top 5 projects agreed, but to return to the 3 remaining projects to ask what they could deliver on reduced funding and discuss at the next meeting on the 27th November.

Growth Deal Quarter 2 Interim Update - Lindsay HillPritchard

- This is the most up to date information, but still assessing claims from various projects and will provide an updated to the Investment Board on the 27th November and will have recommendations for the Board to make decisions and a breakdown of project activities.
- The committee will note from the paper presented at the 5th August Investment Board that we discussed the remaining spend (£34million of grant) left to pay out to contracted projects. This was to be funded by the last tranche of SLGF from government (£18million) and with previous freedom and flexibilities and repaid monies. The position then identified 5% of our total programme grant will be spent post March 2021 and it was agreed that this would be covered by Offset. Since this profile for the Quarter 2 period, the Offset figure has slightly increased. The cause of the slippage is due to the following 2 projects:
 - Advanced Engineering R&D Centre (The Bridge) - at the last meeting, the profile from that project included two large pieces of equipment worth approximately £2m, they have since taken further advice from the supplier who has advised the importance of coordinating the installation of both of these pieces of kit once the building is fully complete due to risk of damage and sensitivity to dust. The project has therefore profiled this expenditure into the first quarter of 22/23 and this aligns with the ERDF contact (which is yet to be released from the ERDF team).
 - Grantham Southern Relief Road - The shift in spend profile relates to Phase 3 works which are not scheduled to commence until Spring 2021. Negotiations are still on-going with the contractor for this phase to formally agree the target cost. This is expected to be completed in December 2020, however the project manager has updated the spend profile to take account of the expected programme of works. Updated profile not expected until early next year and once target costs have been agreed with the main contractor. It was agreed at the last meeting that 85% of the grant would be released to the project in March 2021 and the remaining 15% (£4.2m) in 2021/2022. Accountable Body has implemented an intervention rate has been set based on the profile of Quarter 1, so have released less funds. Will have further discussions with the Project Manager and return findings to the next Investment Board with a clear recommendation on risks and deliverability. Intervention rates could be increased so that 85% could be released by March 2021.
- PD - regarding the R&D project, are freedoms and flexibilities being used and how long could that continue. LHP - freedoms and flexibilities are being used but it is expected that the project should be complete by May 2022, two months past the deadline.
- PH - freedoms and flexibilities would raise concerns with Government if they go on too long and the Government would carry out monitoring against the actual scheme.

Cllr Jackson left the meeting

Europarc FEZ unit disposal (Paper 9) - Halina Davies

- Seeking Investment Board approval for Wykeland Ltd (the landowners) to dispose of a unit on the Europarc FEZ site. The unit was developed with the support of Growth Deal funding which was released to North East Lincolnshire Council as grant recipient.
- The Europarc FEZ scheme was approved and contracted by the Greater Lincolnshire LEP and North East Lincolnshire Council on the 14th February 2019. Funding totalled £1,2m has since been released to the grant recipients with £578,523 remaining to be claimed by March 2021.
- The scheme has provided factory space for food sector related investors looking to locate their business in Greater Lincolnshire and involved construction of one 30,000sq² and one 15,000ft² industrial unit on the Europarc FEZ site. Wykeland (the land owners) were originally intending to retain both units, and the 30,000ft² unit has already been leased to Ultimate Group, the UK's largest independent flexible packaging manufacturer focused on the food industry, but now there is a request from a company called Zero Grimsby Ltd who process frozen fish and other processes.
- A valuation report has been received from the applicant and has been externally assessed and

confident that clawback of funding is not required because the value has not increased.

- Should the Board agree to allow the disposal to Sub Zero, the LEP could inform NELC quickly and Wykeland would remain landowners of the site, the contract being with NELC.

Decision:

- ❖ Board agreed to the sale, and ask the LEP executive to investigate whether a clause could be developed concerning subsequent disposal and profit be on similar market terms, and protected as food service industry in the spirit of the original grant.

Next Investment Board Meeting

Friday, 27th November 2020

DRAFT