

**MINUTES** of a meeting of the **D2N2 INFRASTRUCTURE AND INVESTMENT BOARD** held on 25 July 2016 at County Hall, Matlock

**PRESENT**

Councillor A Western (Derbyshire County Council)  
(in the Chair)

Councillors W J Clarke (Gedling Borough Council), D Collins (Derbyshire County Council), J Collins (Nottingham City Council), C Corbett (Erewash Borough Council), P Gadsby (D2N2 LEP), K Greaves (Nottinghamshire County Council) and A Syrett (Bolsover District Council).

Also in Attendance – M Ashworth (Derbyshire County Council), D Callaghan (New College Nottingham), C Carter (Nottingham City Council), L Clare (Department for Transport), T Clegg (Derby City Council), D Fairbanks (Gleeds), T Goshawk (D2N2 LEP), T Gregory (Nottinghamshire City Council), A Hartley (New College Nottingham), C Henning (Nottingham City Council), K Hopkinson (D2N2 LEP), D Larner (High Peak Borough Council), R Kaur (Highways England), L MacKenzie Buxton Crescent Thermal Spa), J Seymour (Derbyshire County Council), K Sharman (Nottinghamshire County Council), D Swaine (Bolsover and North East Derbyshire District Councils), P Thomas (Mansfield and Ashfield District Councils) and S Wainwright (Derbyshire County Council).

Apologies for absence were submitted on behalf of Councillor D Davis (Ashfield District Council), Councillor D Meale (Nottinghamshire County Council), Councillor N McDonald (Nottingham City Council), Councillor M Rawson (Derby City Council) and P Richardson (D2N2 LEP).

**33/16** **MINUTES RESOLVED** to confirm the minutes of the meeting of the Board held on 29 June 2016.

**34/16** **LOCAL GROWTH FUND (LGF) 1 & 2 PROJECTS AND HIGH RISK PROJECTS - UPDATE** It was reported that there were eight projects at risk of not spending a total of £22.64m out of the original allocation this year of £55.4m by 31 March 2017.

In the past, spend on approved projects had been accelerated to cover any underspend. However this was not a realistic option as the projects suitable for this were in the high risk category. The Accountable Body needed to provide assurance to BIS/DCLG at the end of the financial year, that the project expenditure allocated to deliver Growth Deal 1 and 2 had been spent. Any underspend might result in less money being paid to the LEP for projects in the following years and therefore could result in less investment being made available for the area over the next few years.

The Local Assurance Framework sets out an approvals process which needed to be adhered to and for which the IIB members had agreed to follow, details of which were set out in the report.

The LEP and the Accountable Body meets with officers representing the Local Authorities from the D2N2 area on a monthly basis where individual projects were discussed. This had resulted in the following projects being highlighted as high risk:

<b>Projects</b>	<b>Project Allocation</b>	<b>2016/17</b>	<b>Accumulative</b>
Skills Hub	£30m	£3.79	£3.79
A61 Corridor	£12.8	£0.5	£4.29
Buxton/Drakelow	£5.0	£2.5	£6.79
Ins Adv. Manufacturing	£5.0	£2.5	£9.29
Midland Mainline	£5.0	£2.5	£11.79
Newark SLR	£7.0	£6.0	£17.79
Becketwell	£4.0	£2.85	£20.64
Our City Our River	£12.0	£2.0	£22.64

Further detail in respect of the above projects was presented in the report.

In addition to the high-risk projects, there was also a programme underspend of £3.78m that needed allocating to a new project this year. Part of the underspend was the shortfall from the Derby Placemaking and Cycle project which was originally £6.5m, of which £0.75 had been committed to The Spot development and £4m allocated to the Becketwell project, leaving a shortfall of £1.65m

In order to deal with the current underspend and the funding from the projects to potentially be deleted from the programme, LEP officers were producing a list of projects from the pipeline where promoters were in a position to deliver a Stage1 and Stage 2 proposal and also deliver spend on the project this financial year.

The list would be presented to the next IIB meeting with for approval. It was also agreed that a letter be sent to promoters of all the high-risk projects seeking assurances on project delivery and that a further report be presented to the next meeting of the Board.

**RESOLVED** (1) to note the report and the risk to funding;

(2) write to the promoters of all high-risk projects seeking assurances regarding project delivery during the current financial year;

(3) that a further report be presented to the next meeting on the outcome of the discussions with promoters of high-risk projects; and

(4) that details of projects from the pipeline which could be delivered within the current financial year be presented to the next meeting of the Board.

**35/16      LOCAL GROWTH FUND (LGF) BUDGET AND PROJECT MONITORING**

The Board were presented with a budget and project monitoring update. Payments totally £3,693,000 were made during quarter 1 of 2016-17, which was in line the payment schedules for projects approved in 2015-16. Based on current cashflow information and on the assumption that all projects listed were approved and funding was released, this left a cash flow underspend of £7.3m; of which £3.78m was real underspend due to one of the projects underspending, further details of which were presented in Appendix 1 to the report. Appendix 2 to the report summarised the programme outputs.

**RESOLVED** to note the report.

**36/16      SOUTHERN GROWTH CORRIDOR** The Southern Growth Corridor was a £9.62m high capacity, high frequency east-west green bus corridor designed to serve existing employment sites and to cater for the travel demand predicted from new housing, employment and leisure developments along the corridor. The scheme would enable a new fleet of electric buses to serve parts of a 10km corridor with new and enhanced bus priority measures. The overall cost of the project was £9.62m to be funded by D2N2 LGF (£6.12m) and Nottingham City Council/Green Bus Fund (£3.5m).

A phased approach to the completion of the corridor was proposed. The scheme proposals, further details of which were presented.

Approvals were given by Nottingham City Council at their Executive Board on 28 June 2016. The procurement of electric buses was the subject of an OJEU tender process in 2014-15 led by Nottingham City Council. The contract was awarded to BYD buses.

The promoter has sought external advice from DLA Piper who had confirmed that the project was State Aid Compliant. Regeneris had confirmed that the project represented good value for money.

The scheme outputs were as follows:

- to provide 13 operational single decker electric buses to operate on Citylink services 1 and 2 and charging compound.
- to provide a 5.5km of priority bus lane
- to reduce bus journey times along the corridor by 5%

- to increase bus patronage along the corridor by 2-3%
- to improve accessibility to existing and proposed employment sites
- to reduce emissions along the corridor by replacing diesel buses with zero emission electric buses (200 tonnes of CO<sub>2</sub>, 5 tonnes NO<sub>x</sub>, 27kg PM<10g/KM-1)

In terms of the LGF funding, it was proposed that £2m would be spent in 2016-17 and £4.12m in 2017-18.

Stage 1 approval was granted on 12 January 2016 and a full Business Case was submitted in line with Stage 2 of the approval process. The Accountable Body and D2N2 had assessed the Business Case submission and approval was recommended.

**RESOLVED** to approve the Southern Growth Corridor project and the release of the funding.

**37/16      BUXTON CRESCENT/DRAKELOW PARK - UPDATE** The second D2N2 Growth Deal with Government included support for both Drakelow Park and Buxton Crescent and Thermal Spa, set at £4m and £2m respectively.

Drakelow Park, situated in South Derbyshire District, was a major mixed-use development which would deliver approximately 2,000 new dwellings and twelve hectares of employment park on the site of the former Drakelow Power Station. The site had planning permission but was constrained by the capacity and nature of the local highway network. Ahead of full development, there was a planning obligation to provide a local bypass for the village of Walton-upon-Trent and a new crossing of the River Trent to connect to the A38 Trunk Road. Growth Deal support would facilitate early delivery of this supporting infrastructure.

The Board received a presentation on the proposed Buxton Crescent development. Buxton Crescent and Thermal Spa was a Grade I listed building which formed part of the town's heritage but was in poor condition. The project would restore it for use as an eighty-bedroom, five-star spa hotel at the heart of the ambition for Buxton to become England's leading spa town. Although operation of the spa hotel would be economically viable and provide 140 direct, full-time equivalent jobs, the conservation deficit in restoration of the building was substantial. Costs exceed £50m and despite confirmed support from D2N2, the Heritage Lottery Fund, High Peak Borough Council, Derbyshire County Council and other sources, the final costs still exceeded the available budget by £1.8m.

It was proposed to adopt an alternative mechanism for the available £6m of Growth Deal funding across these two projects. Infrastructure for Drakelow

Park, subject to approval by all parties, would be supported by a loan from Derbyshire County Council. Interest on this would be met from the Growth Deal, but creating a saving against the provisional £4m budget for the project. Separate arrangements would be in place between the County Council and the developer over security for and repayment of the loan. The conversion of D2N2s support from grant to the project into payment of interest would release funding to provide additional grant support for Buxton Crescent and Thermal Spa. The outcomes of both projects would remain unchanged through these arrangements and D2N2 would therefore generate the same benefits against its investment as originally intended.

**RESOLVED** to note the update.

**38/16      SKILLS HUB UPDATE** The Skills Hub would be developed on the Nottingham City Council owned Broadmarsh East site to provide education and training facilities for students and employers. The development would rationalise the estate of the new Nottingham College and replace outdated and expensive to run buildings.

The latest revision of the project programme as detailed at Appendix 1 to the report, indicated that to maintain a September 2019 opening, the appointment of the Architect and other key members of the Project Team needed to take place in July 2016. To allow design to progress in line with this programme, project development costs of £450k were required up to the end of October 2016, when it was expected that the outcome of the Colleges' application to the Government's Transaction Unit (TU) for merger support funds would have been announced.

Prior to its withdrawal in March 2016, a draft funding agreement had been issued by the LEP for £3.79m. This comprised £1.63m site enabling costs and £2.16m professional fees with Nottingham City Council, New College and Central College. In the event of the project not proceeding, clawback arrangements would ensure that the City Council repaid the £1.63m and, as the LEP had agreed to share the College risk, each College's exposure would be capped at £540k.

The College's proposed that the LEP reinstate its offer to provide £3.79m project development funding required up to submission of the LEP Local Assurance Framework Stage 2 Business Case in November 2017, on the basis of the previously agreed 50:50 risk share. The clawback arrangements would not be enforced if the project ended owing to circumstances beyond the Colleges' control.

Given that that TU decision was not expected until October 2016, any LEP funding agreement would be subject to a break clause exercisable by the LEP should TU funding not be forthcoming. Any LEP funds spent up to this

break point, forecast to be around £450k by the end of October 2016, would not be subject to clawback. The Accountable Body (AB) confirmed that a no clawback position was unacceptable. The LEP proposed an offer of £450k with 100% clawback if the project does not go ahead. The College's confirmed they could not accept this offer today and would need to go back to their Chief Executive who has delegated power.

In addition, it was proposed that the LEP issue a "letter of comfort" to the College confirming that, subject to submission of a Stage 2 Business Case, the remainder of the £30m funding approved at Stage 1 by the LEP would be available for the Skills Hub development. The LEP/AB confirmed they could not provide this at this stage as the project is classed as High Risk.

Members of the Board expressed disappointment at the late submission of the report and they felt unable to give approval to the proposals without giving them further detailed consideration and taking further advice. However, given the urgency of the decisions required, it was agreed that the decision would be taken by the Chair following correspondence with all Board Members.

**RESOLVED to** (1) defer a decision on the proposals put before the Board; and

(2) Agree that given the urgency of the matter, that a decision regarding the £450k be delegated to the Chair following correspondence with all Board Members.

**39/16      DATE OF NEXT MEETING** The next meeting of the Board was scheduled for 7 September 2016 at 10.00am.

**40/16      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 HAD BEEN EXCLUDED FROM THE MEETING**

1. Consideration of the exempt minutes of the meeting of the Board held on 29 June 2016.

**41/16      EXEMPT MINUTES RESOLVED** to confirm the exempt minutes of the meeting of the Board held on 29 June 2016.