

# GLLEP Investment Board Agenda and Papers

## Paper 0

Date and Time: Thursday, 23<sup>rd</sup> March 2017 at 1.00pm

Venue: Wilkin Chapman, Cartergate House, 26 Chantry Lane, Grimsby DN31 2LJ

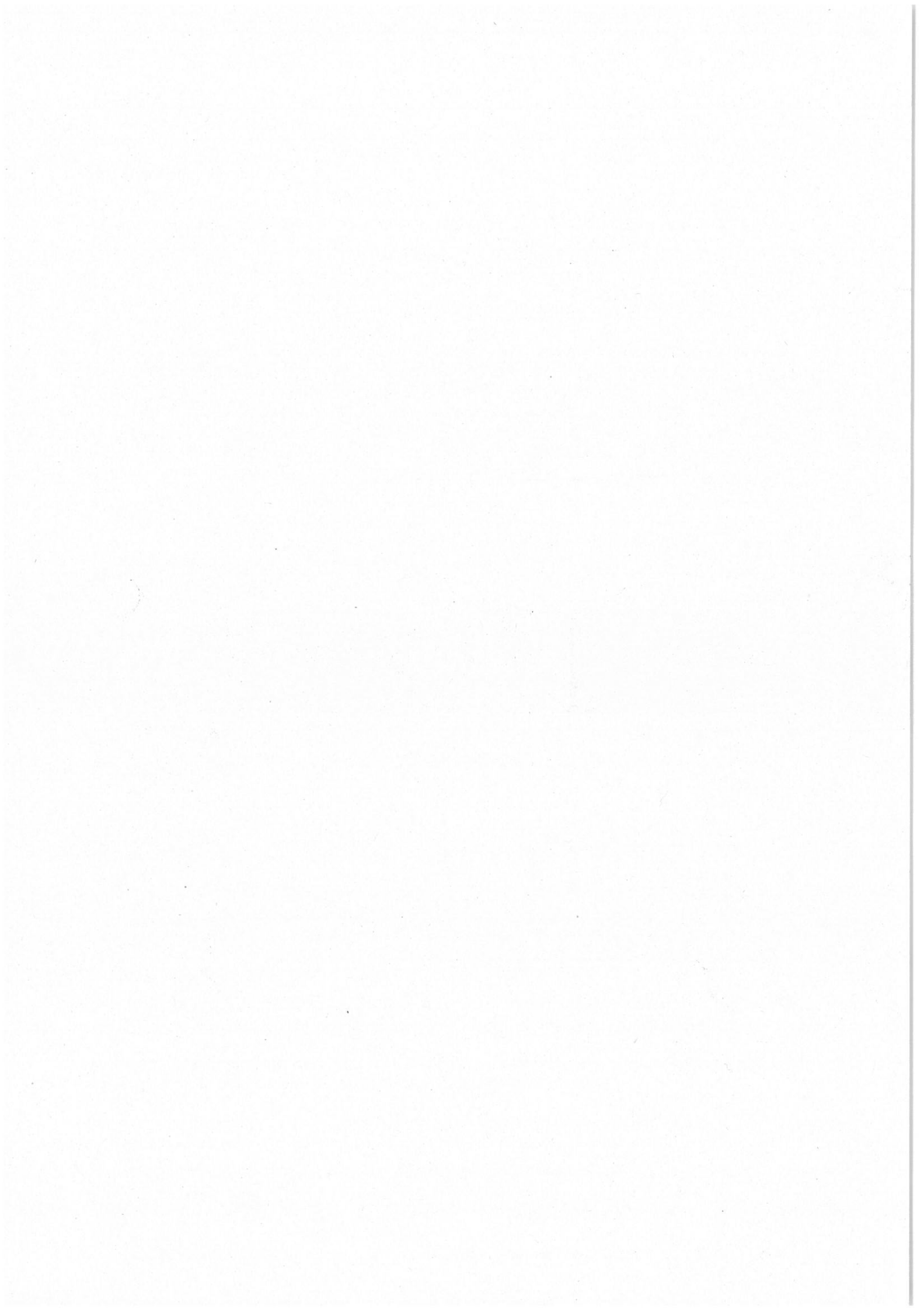
Item No	Item and Brief Description	Lead	Additional Information
1	<b>Welcome and Introductions</b> <ul style="list-style-type: none"> <li>Apologies for Absence and Declarations of Interest</li> <li>Matters arising</li> </ul>	Chair - Ursula Lidbetter  Ruth Carver	
2	<b>Draft Minutes:</b> 27 <sup>th</sup> January 2017	Ruth Carver	Paper 1.0 – for approval
3	<b>Growth Deal Update Report</b> <ul style="list-style-type: none"> <li>Programme Progress Report</li> </ul>	Halina Davies	<b>Confidential</b> Paper 2.0 – for information Paper 2.1 – for information
4	<b>Fee Charging Arrangements for GLLPE Funding Projects</b>	Halina Davies	Paper 3.0 – for decision
5	<b>Grantham College STEM Building 20 Funding</b>	Halina Davies	<b>Confidential</b> Paper 4 - for decision
6	<b>European Structural &amp; Investment Fund Update</b>	Justin Brown	<b>Confidential</b> Paper 5 – for information
7	<b>Any Other Business</b>		

**Confirmed Attendees:** Ursula Lidbetter, Cllr Colin Davie, Cllr Rob Waltham, Cllr Peter Wheatley, Chris Baron, Mark Tinsley, Richard Wills

**Accountable Body:** Linsay Hill-Pritchard

**Officers:** Ruth Carver, Halina Davies, Cathy Jones, Pete Holmes

**Apologies:** Herman Kok





<p><b><u>In attendance:</u></b>  <b><u>Board Directors:</u></b> Ursula Lidbetter (Chair); Cllr Colin Davie, Cllr Rob Waltham, Cllr Peter Wheatley; Chris Baron; Herman Kok; Mark Tinsley; Richard Wills  <b><u>LEP Board Support:</u></b> Ruth Carver; Halina Davies; Cathy Jones;  <b><u>Accountable Body</u></b> : Linsay Hill-Pritchard  <b><u>Observers:</u></b> Pete Holmes; Vicky Wheelwright BEIS, Chris Duffill NELC  <b><u>Apologies:</u></b> None</p>	<p>Actions</p>
<p><b><u>Welcome by the Chair – Ursula Lidbetter</u></b>  The Chair welcomed everyone in attendance. It was noted that the Board could be regarded as quorate for all matters.</p> <p><b><u>Declarations of Interest</u></b>  UL declared an interest in Boole Technology Centre, Lincoln Transport Hub and Holbeach Peppermint Junction.  HK declared an interest in the Agri-Food Centre of Excellence.  Cllr Wheatley declared an interest in Access to Employment Zones.  Cllr Davie declared an interest in Holbeach Peppermint Junction and the Invest &amp; Grow scheme proposal (item 8).</p> <p><b><u>Minutes</u></b>  Minutes from the meeting held on 24 November 2016 were agreed and can be published on the website.</p> <p><b><u>Points raised from Minutes</u></b></p> <ul style="list-style-type: none"> <li>An update on Skegness Countryside Business Park was given – Work is about to commence on site now that issues regarding the water supply have been resolved.</li> </ul> <p><b>HK left the meeting</b></p>	<p>LEP Secretariat</p>
<p><b><u>Growth Deal Update Report</u></b></p> <p><b><u>Annual Conversation</u></b>  HD and the Chair updated the IB on the annual conversation with Government on 5<sup>th</sup> December 2016. A note of the meeting has been circulated, present were BEIS, Greater Lincolnshire LEP and LCC as the Accountable Body. It was a positive meeting, and a number of growth deal delivery and management related topics were discussed.</p> <p>In terms of year end performance of growth deal, agreed actions have been put in place and these will be subject to review until the end of the financial year. Progress against delivery of the programme will be monitored closely over the next three months and it will be extremely important that grant claims are submitted in a timely manner by partners to ensure that the annual programme target and release of future funding are not compromised.</p>	

#### Growth Deal 3

A verbal update was given with regard to the SLGF3 allocation, a formal announcement is likely to be made soon.

#### Invest & Grow

A contract is now in place for the agreed loan to Stokes Ltd and a first payment is imminent following an early January construction inception meeting with Stokes and their representatives. £1.9m of the original loan fund remains available for lending. One expression of interest has been received and will be discussed later in the meeting.

**UL left the room for this update item**

#### Growth Deal Progress

Forecast project slippage of £18.9m within the growth deal programme was identified at the November Board meeting. However, as previously agreed, risk management and freedoms and flexibilities will be utilised to ensure that government targets can be met. Monthly monitoring discussions are taking place with the Accountable Body. PH said that once GD3 funds are announced, there is likely to be an opportunity to phase the allocations within the existing programme, thus potentially helping further with the management of existing slippage.

Lincoln Transport Hub – Work is progressing well on site and is on programme. The first payment claim of £4.8m has been received and is well evidenced. The Board endorsed an increase in intervention rates for the scheme for this year only to help manage programme expenditure. These changes will be balanced accordingly in 2017/18.

**UL returned to the room**

Normanby Enterprise Park – The Highways team at North Lincolnshire Council have recommended that the roundabout originally included in the scheme design should be omitted and, with a minor amendment to the line of the roadway, the estate be serviced by a single road. The cost of this scheme will not alter and a Variation of Contract is being drawn up.

Northern Junction- Tenders for the main works contract are due to be issued before the end of February. Unfortunately, this means that work on site will not commence until May/June and that the £900,000 previously forecast for 2016/17 is unlikely to be achieved in this financial year.

Grantham College – Project is moving ahead as planned with tenders due back very soon. A contract could be in place for the main works by the end of January.

#### Cllr Peter Wheatley and Chris Duffill left the room for this item

#### Access to Employment Zones

At the Investment Board held on 24<sup>th</sup> November, the Board members agreed to delay until the end of January, a final decision on whether the Access to Employment Zones North East Lincolnshire scheme should progress with growth deal funding support. This project consists of a series of junction improvements on key access routes to and from Grimsby. Local politicians discussed project design concerns at a full Cabinet meeting on 18<sup>th</sup> January and the outcome was as follows:



<ul style="list-style-type: none"> <li>• Toll Bar junction – decision made for replacement of existing roundabout with a signalised crossroads (the option recommended by Officers) – called in for the Scrutiny Committee to be held on 1 February.</li> <li>• Littlecoates Road/Cambridge Street (£0.7m) – to go ahead as planned in next financial year.</li> <li>• Nuns Corner (£1.8m) – replacement of the existing roundabout with a full-sized signalised roundabout junction (not the recommended option, but the next preferable option) – to go ahead as planned in next financial year.</li> </ul> <p><b><u>Board members approved the continuation of the scheme in principal pending a final decision from the Scrutiny Committee.</u></b> Should Toll Bar be given permission to proceed as planned, a phased approach was agreed to the wider scheme with Toll Bar being contracted as Phase 1, and the remaining two schemes being externally re-assessed in 2017/18 once the new designs are available.</p> <p><b><u>Cllr Peter Wheatley and Chris Duffill returned to the meeting</u></b></p>	
<p><b><u>Fee Charging Arrangements for GLLEP Funded Projects</u></b></p> <p>An update was given to Board Members regarding fee charging arrangements in relation to SLGF3 and Invest and Grow Fund and endorsement for the revised approach was sought.</p> <p>Due to an increase in professional fees being expended, i.e., appraisals, legal costs, administration and Accountable Body, it is proposed to introduce charges to cover the additional costs to the LEP. Fee charging has already been implemented in several LEP areas, including D2N2, Northamptonshire, Greater Birmingham and Worcestershire.</p> <p>Local partners and the Government remain committed to the LEP agendas as a means of future growth and prosperity to local areas. At the same time, core funding from Whitehall for direct LEP secretariat resources is likely to be reduced in future years, and this places greater emphasis on the need for LEP areas to generate increased funding support from local partners in order to maintain appropriate delivery, contracting and monitoring arrangements for all programme activity.</p> <p>Board members were in favour of a flat % rate to be applied to all schemes and officers agreed to bring a revised paper to the next Investment Board meeting demonstrating existing costs and suggesting what level of % might be appropriate to apply.</p> <p>PW suggested that the amount generated should reflect the amount needed for cost recovery. It was agreed that a comparison would be made from the previous year's data, and acknowledged that the cost recovery model may reduce initial percentage levels suggested.</p> <p><b><u>A revised report would be brought to the next investment board.</u></b></p>	
<p><b><u>Councillor Colin Davie, LCC, left the meeting</u></b></p> <p><b><u>Holbeach Peppermint Junction</u></b></p> <p>The Board was asked to consider the due diligence report for Holbeach Peppermint Junction electronically in February with subsequent sign-off by the Chair, should the scheme allocation be endorsed to proceed. The report was not completed in time for the 27 January meeting; however an overview of the scheme was presented to the Board by HD in advance</p>	

of the final cost appraisals being made available.

The highway works at Peppermint Junction are required to unlock growth opportunities in Holbeach and have been granted a growth deal allocation of £2.4m. The highway works will provide a number of additional benefits, including road safety improvements, improved traffic flow on the A17 and reduced traffic flow through Holbeach town centre. They will also release land needed for the creation of the FEZ, enabling employment growth through the provision of approximately 59,000m<sup>2</sup> of new employment space.

**Electronic Approval Permission - All agreed to consider the due diligence electronically informing HD and the Chair of any objections/queries.**

#### **Feasibility Grant Fund Recommendations**

A report was received from Cathy Jones concerning the latest round of feasibility funding made available by the LEP. The recommendations within the report were endorsed by the accountable body, and the recommendation to award the £160,000 budget to the 5 highest scoring schemes was endorsed.

13 applications were received with a total requested grant of £440,000 with only £160,000 available. LEP officers and the Accountable body held a meeting to discuss and score each project and recommended which projects should go forward. The recommendations from officers to award the £160,000 budget to the 5 highest scoring schemes was endorsed.

Five applications were approved to contracting stage for the Feasibility fund. The projects were:

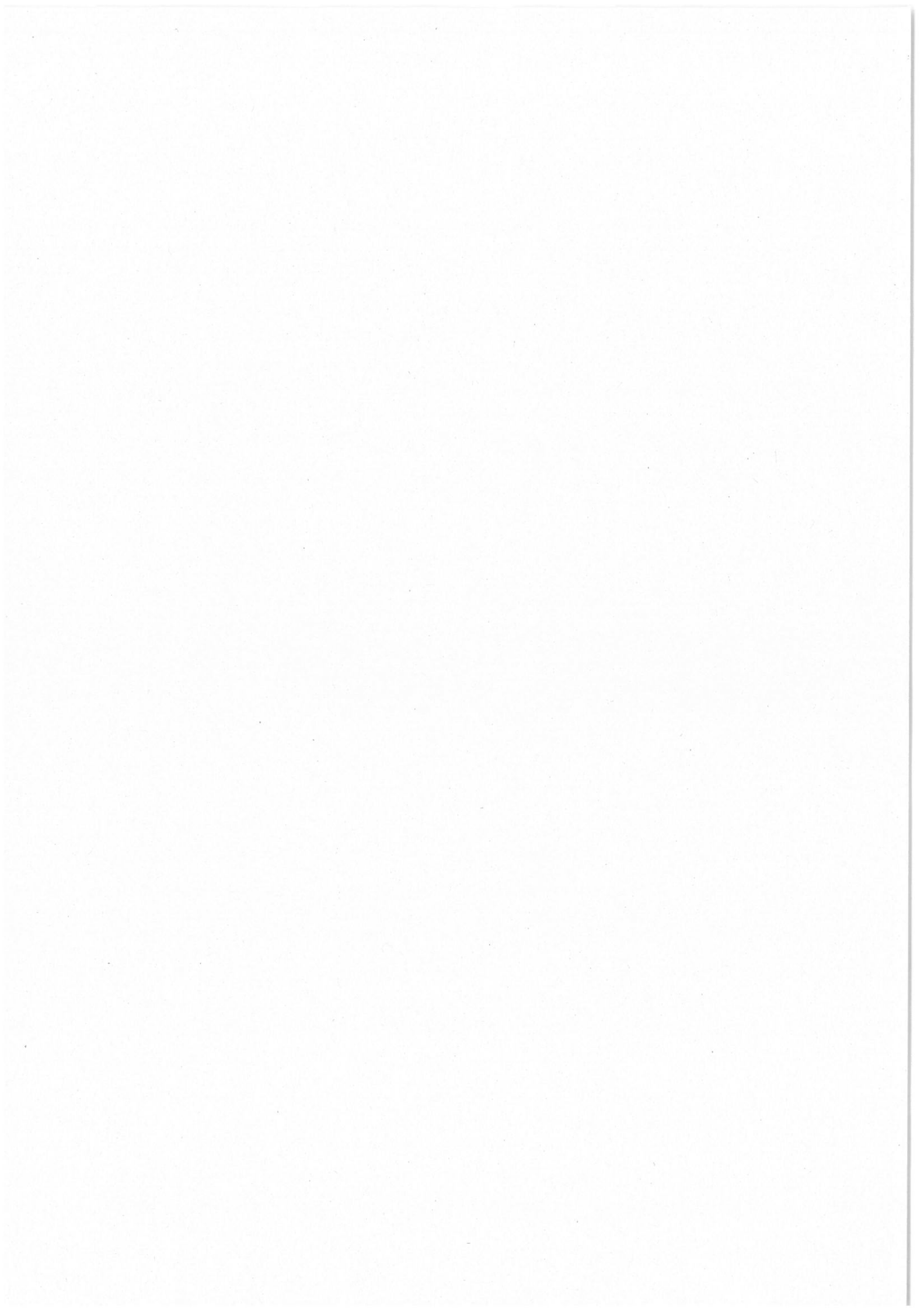
Project Title	Applicant	Total Feasibility Costs	Total grant allocation
British Steel Scunthorpe Development Feasibility Study and Masterplan	North Lincolnshire Council	£100,000	£20,000
Cleethorpes Station Quarter	North East Lincolnshire Council	£70,000	£55,000
Verge Biomass	Lincolnshire County Council	£100,000	£50,000
Advance Food Factory Scheme, Europarc, Grimsby	North East Lincolnshire Council	£110,000	£50,000
Feasibility Project for an Online Course for Self-Employment	Lincoln International Business School, University of Lincoln	£30,000	*£5,000

\*This scheme requested £10k but only £5k remains in the available budget. Lincolnshire County Council has indicated that it will contribute an additional £5k in match funding.

#### **Expression of Interest – Invest & Grow Loan Fund**

An Expression of Interest was received for Grantham KING Enterprise Village and agreement was sought to invite Haywood Estates to submit a full application. Haywood Estates are

<p>looking for £1.1m to convert the existing former quarry for use as an Enterprise Village, which will offer freehold sales of improved plots within the site, enabling small businesses to develop their own premises. The applicant is seeking this loan due to a lack of available funding or bank finance for this type of relatively small but speculative infrastructure scheme. The grant will allow the project to be implemented in one single phase and the project will enable SMEs, individuals and entrepreneurs to secure commercial freehold sites that are fully serviced and provide flexibility of layout to suit their business criteria.</p> <p>Subject to seeing the feasibility study, conditions from the due diligence report and the value of the land (which is CC owned), <u>the Board agreed that Haywood Estates be invited to submit a full application.</u></p>	
<p><b><u>Any Other Business</u></b> None</p>	
<p><b><u>Date of Next Meeting</u></b> Thursday, 23<sup>rd</sup> March 2017</p>	





**Recommendation: A Paper for Decision**

The aim of this paper is to update Board Members on fee charging arrangements in relation to SLGF3 and Invest and Grow Fund, and to seek endorsement for the revised approach proposed following discussions at the 27 January Investment Board.

**Background**

As previously highlighted our Local Assurance Framework sets out the process for approving and monitoring the delivery of Growth Deal activity, and in order to manage our approval and monitoring role, the LEP and Accountable Body will need to continue to appoint a wide range of specialist advisors and support staff, including project management duties plus independent advice in relation to the technical appraisal of schemes, value for money and legal compliance.

Thomas Lister until recently provided external due diligence appraisal advice to the LEP Board on applications relating to our Growth Deal and Growing Places Fund at a cost of £75,000 from May 2015 to March 2017, and this support will continue to be competitively retendered, with four consultancies being invited to tender as of 6<sup>th</sup> April. Additional legal support on formal contracting and internal due diligence checks on behalf of Lincolnshire County Council as Accountable Body are currently delivered through Legal Services Lincolnshire. Further support is provided by the core LEP team and Lincolnshire County Council officers, alongside the established LEP Officers network in terms of auditing, monitoring and reporting arrangements. The level of professional fees generated in managing our growth activity is dependent on the number and complexity of projects which come forward for consideration. Not including the cost of Lincolnshire County Council officer support the LEP is currently incurring overall fees in the region of £84,000 per annum. To date interest generated from Growth Deal has helped to cover costs of the Accountable Body, however this is not a sustainable model and the Accountable body has indicated that in future years their costs for support are likely to increase, thus creating a shortfall.

Fee charging has been implemented in several other LEP areas and the most popular approaches are to either apply a sliding scale of charges according to the value of the LEP funding, or to apply a fixed percentage to the level of growth deal/loan received for each scheme, and then to incorporate these costs into the amount of grant released to each individual applicant.

Board Members considered at the 27<sup>th</sup> January meeting that with growing costs, the need for sustainability and limited income, charging at a flat percentage of the level of grant/loan received would be acceptable, however officers were tasked to provide more detailed cost to date information to enable a realistic percentage to be agreed going forward.

**Applying Charges for Greater Lincolnshire**

The table below shows the breakdown of costs for 2015/16 and 2016/17:

COST TYPE	2015/16	2016/17	2 YEAR TOTAL
Programme Management	£38,425.00	£38,833.00	£77,258.00
Due Diligence	£36,204.00	£38,796.00	£75,000.00



Legal	£9,038.05	£5,373.23	£14,411.28
<b>Total</b>	<b>£83,667.05</b>	<b>£83,002.23</b>	<b>£166,669.28</b>

Core funding from Whitehall for direct LEP secretariat resources is likely to reduce in future years despite £500,000 being approved in December for 2017/18. This places greater emphasis on the need for LEP areas to generate increased funding or support from local partners in order to maintain appropriate delivery, contracting and monitoring arrangements for all programme activity. Schemes approved under the existing Growth Deal/Invest & Grow Loan fund or other LEP schemes would not be subject to any new charging arrangements, which will be applied to new applications only i.e. Growth Deal 3.

#### **Proposed Approach**

Board members are asked to endorse a percentage charge of 0.5% based on the amount of funding sought and secured for each new Growth Deal/Invest and Grow scheme. This will in the main reflect the relative complexity of each scheme and ensure that the charges applied are commensurate with the level of technical work and expertise required in appraising the respective applications. Please note that most schemes take an average of two years to complete (some longer), requiring programme management for the whole of that period. The table below provides an example of how the charges would have looked over a range of percentages if they had been applied to 2016/17 fees only, and demonstrates why officers feel a 0.25% - 0.5% charge for future schemes would be the most appropriate.

Schemes Appraised in 2016/17	Allocation/Loan	% of Allocation Applied				
		0.25%	0.5%	1%	1.5%	2%
Lincolnshire Lakes	2	£5,000	£10,000	£20,000	£30,000	£40,000
NEP7	1	£2,500	£5,000	£10,000	£15,000	£20,000
SHIIP Phase 1	2	£5,000	£10,000	£20,000	£30,000	£40,000
Grantham College	2.3	£5,750	£11,500	£23,000	£34,500	£46,000
Go Skegness	4	£10,000	£20,000	£40,000	£60,000	£80,000
Unlocking rural Housing	4.2	£10,500	£21,000	£42,000	£63,000	£84,000
The Lawn	0.6	£3,000	£3,000	£6,000	£9,000	£12,000
SHIIP Phase 2	2	£5,000	£10,000	£20,000	£30,000	£40,000
Northern Junction Roundabout	1.9	£4,750	£9,500	£19,000	£28,500	£38,000
Lincoln Transport Hub	13	£32,500	£65,000	£130,000	£195,000	£260,000
Agri-food Centre of Excellence	2.4	£6,000	£12,000	£24,000	£36,000	£48,000
Boston Quadrant	4.8	£12,000	£24,000	£48,000	£72,000	£96,000
Holbeach Peppermint	2.4	£6,000	£12,000	£24,000	£36,000	£48,000
<b>Totals</b>	<b>42.6</b>	<b>£106,500</b>	<b>£213,000</b>	<b>£426,000</b>	<b>£639,000</b>	<b>£852,000</b>

Following recent announcements we will have 9 projects and 1 programme to accommodate under SLGF3, and £1.9m currently remains unallocated within the Invest and Grow fund (though a full business case was invited for appraisal in relation to the Grantham King Enterprise Village in January). Costs to applicants for SLGF3 would be broken down as follows and would be indicated to applicants in early April if the approach is endorsed by Investment Board today:

Project	SLGF3 Allocation £m	0.25% Fee	0.5% Fee
Sleaford Growth Project	2	£5,000	£10,000
A46/A15 Improvements – roundabout A15 (Scunthorpe road), A46 (Market Rasen road) and A158 (Louth road)	2.5	£6,250	£12,500



Sutterton Roundabout Pinch Point Scheme	1	£2,500	£5,000
Gainsborough Growth Project	4	£10,000	£20,000
Greater Lincolnshire Centre for Health Science	5	£12,500	£25,000
Advanced Engineering Research and Development Centre	1.95	£4,875	£9,750
Food Enterprise Zones, Boosting Growth in our International Agri-Food Sector <ul style="list-style-type: none"> <li>• Holbeach</li> <li>• Hemswell Cliff</li> <li>• Europarc</li> </ul>	6.5	£16,250	£32,500
Skills Capital Investment Fund	6.5	£16,250	£32,500
<b>Totals</b>	<b>29.45</b>	<b>£73,625</b>	<b>£147,250</b>

It is difficult to say how many schemes might apply for and be successful in securing the remaining £1.9m Invest & Grow Fund, however fees would equate to a maximum of £4,500 - £9,000 in total depending on the percentage applied.

#### **Actions Required**

It is recommended that Board Members:

- i) Agree that Greater Lincolnshire LEP applies charges for programme management, project appraisals and legal costs for all projects included in future funding allocations from government;
- ii) Approve the flat percentage approach identified above for charges effective from April 2017;
- iii) Approve a 0.5% rate charged based on the information provided above.
- iv) Instruct the LEP Secretariat to implement any additional conditions which should be applied to any approved charging mechanism;
- v) Agree to review the introduction of any new charging arrangements after the first twelve months of implementation.



