

**Minutes of the Cheshire and Warrington Local Enterprise Partnership**

**Performance and Investment Committee Meeting**

**Held on 26th January 2022 at 1600 via Teams**

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| **In attendance** | | Chris Hindley (Chair), Nichola Newton (Deputy), Ian Traynor, Peter Skates, Catherine Walker,  Alex Thompson, Loren Jones, Stewart Brown, Ian Brooks, Rebecca Luck | | | |
| **Presenters** | | Paul Gilligan, John Adlen, Nicola Heron, Helen Bright | | | |
| **Apologies** | | Joe Toward | | | |
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| **Item No.** | **ITEM** | | | | |
| 1. | **Welcome, Introductions and Apologies**  Apologies received from Joe Toward | | | | |
| 2 | **Conflicts of Interest**  Declarations of interest: No specific declarations of interest raised for agenda. | | | | |
| 3 | **Minutes and actions from the last meeting:**  The minutes of the meeting of 24th November were approved.  Actions agreed to carry over:   * Detailed presentation on LGF Digital Skills (scheduled for next board meeting, programme offline update available to board alongside employer sponsors.) * Corporate risk review (scheduled for future meeting, following full review/update risk strategy/policy).   All other actions from November meeting are considered closed. | | | | |
| 4 | **LGF Smartgrid Pure Leapfrog**  Paul Gilligan from Pure Leapfrog took the board through a presentation on the updates of the Smartgrid project.  IT & LJ questioned the output delivery to date, specifically relating to this project and the LEPs investment.  SB referenced that WBC was in a strong financial position regarding Together Energy. | | | | |
| **ACTIONS** | | | **OWNER** | **BY WHEN** |
| Presentation from Pure Leapfrog to be shared with the committee. | | | RL/PG | ASAP |
| Share carbon estimates of the 3 tranches, as well as wider output delivery to date. | | | PG | ASAP |
| To share a schedule of works remaining, including re-forecasting of remaining output delivery, working with the LEP Programme Manager. | | | PG | March |
| 5 | **EZ Vortex**  John Adlen shared a summary presentation of the business case for the Vortex project.  IT queried the risk factor to cost of construction and timing, considering current market situation, and whether there is an impact on the ask.  JA confirmed grant is capped at that level, if costs go down we pay less proportionally, but if costs increase then the developer carries the burden on additional construction costs. Security agreement also put in place, and would have step in rights built in.  IT queried whether there was any rent-free period.  JA confirmed that a rent-free period was built in, but not under any obligation.  IT queried who would pay business rates on voids.  JA confirmed that for vacant business there is a period up front (between 3 and 6 months), but after that the landlord or tenant is liable to pay the empty rates.  JA confirmed that the ask from the planning authority is around biodiversity net gain, with developer looking to offset the biodiversity on his own land (via large tree planting scheme).  SB raised a query regarding the yield.  JA confirmed that the yield on appraisal was captured at 6.5, though believe 6.5 is too high (with LEP assessments between 5.5 and 5.75).  Sale agreement with CWAC, is a conditional sale agreement, with a lease drawdown initially, and then freehold will transfer over once 50% development of the scheme.  It was noted that the main risk relates to the security of the developer, and it was confirmed that the Evergreen approved funding would be drawn prior to the EZ loan. In addition, JA confirmed that EZ loan would be first in the queue for a reduction in grant/loan.  LJ raised whether any social value requirement had been integrated to this project.  JA confirmed that work was planned, with CWAC, on integrating social value into our future investments and would look to develop a policy paper to be presented to the LEP Board. However, it was considered too late to require a social value deliverable for this business case.  CW raised further detail regarding the overage clause.  JA detailed that the LEP has a standard overage clause, that while negotiations took place, most developers would look to accept. The developer is allowed to make profit from development appraisal (though have £0 developers profit on this scheme), and allow margin on top (5%), but anything over that overage is shared 50:50 until the grant is paid back. Overage clause is triggered by two events: sale or after set period of time (i.e. investment period).  ***Decision ratified.*** | | | | |
| 6 | **GBF MDC**  Nicola Heron (NH) and Helen Bright (HB) joined to present and answer questions on behalf of MDC.  MDC board met this morning (26/01/22), and apologies were given for not providing pre-reading, as desire was to provide the most up to date information to the board.  RL confirmed the BEIS position is that an extension can’t be granted. The remaining options are therefore to utilise Freedoms and Flexibilities to still achieve spend this financial year, or to clawback the grant and confirm project unviable.  IT raised options regarding the procurement route:   * Have MDC adequately pushed back on the exclusion of the option to go with the number 2 contractor. * Confirmation as to whether the tender exercise can be accelerated. * Whether contractor 1 could sub-contract to contractor 2, rather than their current preferred supplier.   HB confirmed that the original tender hadn’t been drafted to allow movement to a second bid. The procurement expertise also indicated that this tender was quite close to PCR limit, and therefore this was the rationale for not allowing a closed tender process at this time.  It was noted that the option to sub-contract to contractor 2 could be interesting, though we would need to remain mindful of the need to deliver value for money and deliver a solution that is economically attractive.  HB confirmed that the original tender went out with indicative costs and stage 2 designs. MDC have confidence that a contractor can meet the cost envelope of ~£4.2 million with both the QS and build PM having both recently completed similar builds, and both have confirmed that the build per square metre remains a long way off. It was also noted that the contractor had sub-contracted out some delivery to their preferred supplier and hadn’t integrated MEP engineers into the project team.  MDC confirmed that there is a cost/value engineering piece to build into this work, and the expertise and confidence to deliver a cost/value engineering piece is not present in the current contractor.  MDC confirmed that in maintaining the current scope funding of an additional £1m would be required (including costs to go back out to re-tender and current design costings and buffer). It is not considered viable for this additional cost to come through business development. The original economic model looked at income generation and ultimately utilised a mid-case scenario (~£1.8m a year). NH confirmed an upper case was also explored in the model, which used an assumption about more businesses in this area. There is therefore greater potential to be explored within the economic model, but it is not deemed an acceptable risk or viable to fund the £1m at this time by the MDC board.  NH confirmed the next steps is to in parallel review options to maintain the scope (and seek partnership funding), or design to an acceptable cost envelope with buffer. Partnership funding was not previously explored as the demand and market had significantly grown since the project’s inception, and with the desire for pandemic preparedness and a shift in demand has opened up further opportunities for investment.  IB confirmed that a notable limitation shared in both life sciences and evergreen funds was good quality available lab space. Highlighting the real demand of the space, and requirements for the region, and desire to not compromise the strategic delivery in terms of output for the region.  IB specified that we would require 3 public sector organisations (LEP, BEIS & CEC) to be aligned and have confidence on the viability of the project and potential for freedoms and flexibilities. Discussions are ongoing with BEIS and CEC regarding options.  CH summarised that the position presented has been regarding confidence in the project, the finances, the potential outputs, and at this stage certainty cannot be achieved in the short-term, without a contract awarded for the desired cost envelope. | | | | |
| **ACTIONS** | | | **OWNER** | **BY WHEN** |
| Outlay on forecast cost prior to project being reconfirmed viable. | | | MDC | ASAP |
|  | Agenda item to be escalated to LEP board and Chief Executive. | | | CH / IB | ASAP |
| Schedule LEP Board March MDC item:  Presentation of amended design/scope to meet a new risk adjusted cost envelope; and/or update on re-financing of project. | | | RL | March |
| Explore options for additional political pressure to trigger a review of the BEIS extension request | | | RL/IB | Feb |
| 7 | **Programme Manager Update: GBF Q3**  Provided offline only. | | | | |
| **ACTIONS** | | **OWNER** | | **BY WHEN** |
| Share the BEIS GBF Q3 return for approval by board and S151, prior to official deadline (25/02/22) | | RL | | Feb |
| 8 | **LGF Evaluation Specification**  Item not discussed. | | | | |
| **ACTIONS** | | **OWNER** | | **BY WHEN** |
| Roll over item to next board meeting | | RL | | March |
| 9 | **AOB**  RL advised that the opportunities portal was provided as an offline update only. The board had requested the item be brought as an agenda item; however, it was considered that an offline update would be sufficient while funding and longer-term use of the portal is not secured beyond March 2022.  RL shared that a terms of reference review was scheduled in the forward plan, and that a board evaluation exercise would be used to help shape the proposal of the new terms of reference. | | | | |
| **ACTIONS** | | **OWNER** | | **BY WHEN** |
| Individuals of the board to complete the evaluation template and share with RL. | | ALL | | 11/02/22 |
| Chair and Officers to monitor emerging MDC situation to determine whether February meeting is required. | | CH/RL | | 11/02/22 |