

**Minutes of LEP SIP Meeting  
24/05/2022 at 09:30 – 11:30  
Via Microsoft Teams**

**Board attendees:**

*David Bird, Chairman of SIP, HotSW LEP Board Member  
Richard Stevens, Chairman Business Leadership Group, HotSW LEP Board Member  
Mel Squires, Chairman Place Leadership Group, HotSW LEP Board Member  
David Ralph, HotSW LEP Chief Executive  
Jane Dumeresque, LEP Board Member  
Amanda Ratsey, Business Lead, HotSW LEP Management Team  
Keri Denton, People Lead, HotSW LEP Management Team  
Mel Roberts, (deputising for Paul Hickson) HotSW LEP PMO / SCC Officer*

**Officers in attendance:**

*Eifion Jones, Chief Operating Officer, HotSW LEP  
Claire Gibson, HotSW LEP  
Mel Sealey, HotSW LEP PMO  
Richard Snell, HotSW LEP PMO  
Ben Bryant, SCC Finance  
Suzanne Bond, CLGU  
Anne-Marie Spalding, SCC Officer  
Isaac Young, SCC Finance  
Ben Bryant, SCC Finance  
Karl Tucker, Chairman of LEP  
Jason Buck, TDA (deputising for Carl Wyard),  
Hannah Keyte [Minutes]*

**Apologies:**

*Paul Hickson, Place Lead, HotSW LEP Management Team*

*Agenda item guests*

*Shane Vallance, agenda item 4.1  
Jamie Evans, agenda item 4.3*

**NOTE:** 4 voting members are required to be quorate. Number of voting members present in meeting: 6

**NOTE FOR AUTHOR**

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**These minutes and the accompanying decision/actions table are now required to be published onto the LEP website with 10 clear working days of the meeting taking place. This may be in draft if internal LEP processes require**

**clearance before they are finalized. The final documents must be published within 10 clear working days of being approved.**

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Item No.	Agenda Item	Actions
<b>1</b>	<b>Apologies</b>	
	Vince Flower	
<b>2</b>	<b>Declarations of Interest</b>	
	Keri Denton – Digital Skills, Growth Hub and CDS. Jason Buck – Torquay Gateway David Ralph – CDS	
<b>3</b>	<b>Minutes from Last SIP Meeting – 1<sup>st</sup> March 2022</b>	
	The minutes from the previous meeting were approved. It was noted that Jane Dumeresque rights have been amended to a voting member.	
<b>4</b>	<b>For Decision – Investment Programme Business Cases and Project Changes</b>	
<b>4.1</b>	<b>Growing Places Fund</b>	
	<p><u>Natural Capital Demonstration Fund – North Devon Biosphere</u> CG provided an introduction to this agenda item with detail explained by SV. Overview</p> <ul style="list-style-type: none"> <li>• In January 2021, the Board agreed to allocate £1 million from the Growing Places Fund to pilot a new Natural Capital Demonstration (NCD) loan fund, to test mechanisms to attract private finance into environmental projects and deliver clean growth.</li> <li>• EOIs were invited March 2021 but only 1 submission was attracted, which did not meet the business case appraisal criteria.</li> <li>• A subsequent project to develop a brokerage service and digital platform bringing together landowners/farmers and investors seeking carbon sequestration schemes was brought forward by the North Devon Biosphere and offering gap-funding.</li> <li>• The business case is transparent about the risks associated. Strategic case has close alignment with wider objectives.</li> <li>• The economic case includes estimated economic benefits however there is an element of uncertainty due to new and novel project so requirement to treat with caution. Benefits will be indirect, taking place within the projects themselves so recommendation around looking at the platform for transactions to be amended to capture the evidence.</li> <li>• Key milestones are clearly set out within commercial case however the Panel raised questions around the start date of January 2023 being optimistic.</li> </ul>	

	<ul style="list-style-type: none"> <li>Financial case is limited and lacks information required from Biosphere to carry out due diligence - broad model of assumption around 7% return for individual project loans, overall assumption default rate of approx. 2%, with loan repayments between years 3 and 10.</li> <li>Management Case raises questions around the organisation infancy of the Biosphere Foundation and concerns around oversight of managing a £50m loan fund in terms of capacity and capability.</li> </ul> <p>Points raised</p> <ul style="list-style-type: none"> <li>Clarification and reassurance required re whether fund will be operating under appropriate financial regulation regimes. Lack of mention of this from applicant.</li> <li>Requirement to look at legal liability and risks relating to any legal disputes that arise.</li> <li>Significant concerns around 10-year repayment timescale.</li> <li>Unsure there is a strong enough business case around the scale of ambition and level of demand.</li> <li>Concern raised as Biosphere Foundation was only established in March 2021.</li> <li>Further clarity required of the concept, and clarification if the fund is lending to businesses for carbon sequestration. As the carbon credit market is yet to be established, a market price is yet to be set which will inform the loan payback term.</li> <li>Some concerns over capacity within the Biosphere given the reliance on external support at the moment</li> <li>Suggestion that a grant would be more appropriate for this project rather than a loan investment through this investment pot.</li> <li>Through it's County Recovery Programme, DCC have a natural capital programme which offers revenue and capital grants. Including a simplified approach to carbon sequestration opportunities tying in education.</li> </ul> <p><b>DECISION -</b> SIP were in agreement not to progress this any further with the Biosphere Foundation at this stage but to continue discussions with the Biosphere to understand if any of the fundamental issues could be resolved. Consideration required around how to invest the £1m funding and bring back to future meeting.</p>	
4.2	<b>Growth Deal</b>	
	<p><u>Digital Investment Programme Update</u></p> <p>CG provided an introduction to this agenda item</p> <p>Overview</p> <ul style="list-style-type: none"> <li>Digital Skills and Digital Business Utilisation Projects almost there in terms of signing grant agreements. Pending legal advice on subsidy control.</li> <li>Paper presented to the board is for information however 2 decisions required; extending the funding end date from December 2024 to March 2025 for the skills projects and to red risk the growth deal infrastructure projects.</li> </ul> <p>Points raised</p> <ul style="list-style-type: none"> <li>Staggered end dates for projects highlighted, currently Growth Hub funding ceases at end of March 2023.</li> <li>Dates are aligned with BDUK thinking. Key challenge around red risk</li> </ul>	

	<p>report, require accurate draw down as this is slow at the moment and need to be clear on existing contracts delivered by CDS.</p> <ul style="list-style-type: none"> <li>• Treasury required DCMS funding to support BDUK to be done by March 2025, however LEP nor other funding parties are required to adhere to this deadline.</li> <li>• Triage service seemed important part however not progressing at present. This is due to not having found a delivery mechanism and lack of revenue funding to cover the resource cost. A similar scheme operates across Dorset which could be further explored.</li> <li>• Date noted on report needs amending from Oct 2022 to Oct 2021.</li> </ul> <p><b>DECISION</b> - SIP noted and approved extending the funding end date for the skills project to March 2025 and to red risk the digital infrastructure project.</p>	
4.3	<b>Getting Building Fund (GBF)</b>	
	<p><u>Torquay Gateway variation for agreement in principle</u> JE provided an introduction to this agenda item.</p> <p>Overview</p> <ul style="list-style-type: none"> <li>• Project came to SIP in Jan 2022 requesting variation to outputs due to re-contracting a fixed-price contract to address enabling works. As part of this, there has been significant cost overruns and whilst construction inflation costs and contingency were factored in, there remains a shortfall of £255k</li> <li>• Request for agreement in principle for funds to be released from GBF underspends to offset the shortfall for Torquay Gateway.</li> <li>• Project outputs will be unchanged however there will be some slippage into the following financial years as a result of increase in costs and Torbay's prudential borrow, the GBF rate will decrease to just under 30%.</li> </ul> <p>Points raised</p> <ul style="list-style-type: none"> <li>• SIP unable to sign this off as limit for financial sign off is £250k. This will need to be taken as a recommendation to the LEP Board.</li> <li>• In the interest of parity, suggestion to consider and analyse viability of all projects utilising F&amp;F and others on fixed price contracts and obtain a considered view from SIP around risks. Torquay Gateway can then be considered amongst this.</li> <li>• The re-tendered fixed price contract is pending signature within 3 weeks and then fixed price will last for the duration of construction project.</li> </ul> <p>Action</p> <ul style="list-style-type: none"> <li>• Remaining GBF projects to be contacted to confirm profile against budget to establish any other anticipated funding shortfalls.</li> </ul> <p><b>DECISION</b> – Recommendations for the Board to be discussed with the SIP members via email.</p>	MS/ RSn
5	<b>Investment Programme Delivery</b>	
5.1	<b>Investment Programme Report</b>	
	<p>RSn provided an overview of the investment programme report</p> <ul style="list-style-type: none"> <li>• Total expenditure was £256m. GBF – 12 projects completed spend and 12</li> </ul>	

	<p>continuing to use F&amp;F.</p> <ul style="list-style-type: none"> <li>• Delivery - Torquay Gateway is now amber</li> <li>• Construction job outputs concerned due to slippage of projects.</li> <li>• There was a switch around between construction floor space and R&amp;D floor space so ended up with more R&amp;D floor space than anticipated.</li> <li>• Taunton Digital Innovation Centre has been delayed so concerns there around output achievement.</li> </ul> <p>MS provided an overview of F&amp;F spend profiles</p> <ul style="list-style-type: none"> <li>• F&amp;F remaining is currently £9,549,829.</li> <li>• Might want to do a deep dive into the projects that have significant balance at Q4. Torquay Gateway Q4 is £433,333.33, Taunton Digital Innovation Centre is £875,066.03 and Plymouth South Marine Park is £34,361.79.</li> <li>• Concerns raised around Ilfracombe Water Sports Centre and lack of signage for opening and funding information. Understand this was previously in place so may have been removed due to works.</li> <li>• In terms of plan for future operation of Growing Places Fund, this will be included in discussions around integration plan.</li> </ul>	
<b>5.2</b>	<b>Amber Project Review</b>	
	<ul style="list-style-type: none"> <li>• This will be updated following the review exercise.</li> </ul>	
<b>5.3</b>	<b>SCC Update</b>	
	<ul style="list-style-type: none"> <li>• Nothing to update.</li> </ul>	
<b>5.4</b>	<b>CLGU update</b>	
	<p>SB provided an CLGU update</p> <ul style="list-style-type: none"> <li>• Number of changes made within central Government.</li> <li>• There was a reorganisation that took place last year of CLGU and further changes are likely. Despite this, there will be no changes in terms of the LEP's relationship.</li> </ul>	
<b>6</b>	<b>Strategic Agenda Items</b>	
<b>6.1</b>	<b>ESIF Update</b>	
	<p>EJ provided a brief update –</p> <ul style="list-style-type: none"> <li>• On ERDF we have been awarded an additional £450k on Inward Investment Soft Landing Programme for transition area of Devon. For other extension requests, EJ will provide further update once more information has been confirmed.</li> <li>• On European Social Fund, issues with University of Plymouth Project discussed at the last meeting still ongoing, though UoP now taking forward to ombudsman and no further LEP support required at this stage.</li> <li>•</li> </ul>	
<b>7</b>	<b>AOB</b>	
	<ul style="list-style-type: none"> <li>• None.</li> </ul>	

**Next Meeting: 5<sup>th</sup> July 2022**

**Table of Decisions**

SIP Paper	Decision Required	Decision Agreed
Growing Places Fund: Natural Capital Fund North Devon Biosphere	Approval for agreement in principle to further develop the Biosphere project	Panel denied
Growth Deal: Digital Investment Programme	Extension of the funding end date around the skills projects and to red risk the growth deal infrastructure projects	Panel approved
Getting Building Fund: Torquay Gateway variation for approval	Agreement in principle for business case variation and award of up to an additional £255k	Panel seeking further clarification of projects utilising F&F or with a fixed price contract still in delivery. PMO to work with Theme Leads to identify those projects with budget to profile disparity.