



**D2N2 LEP Area
Minutes of the ESI Funds Sub-Committee**

Monday 15 January 2018 11:30am – 13:00pm

Venue: Committee room 1 - Derbyshire County Council, County Hall, Matlock DE4 3AG.

Item	Description
1	Apologies, Minutes of last meeting (8 th November) and process of actions
2.	Written Procedures update
3.	Management Information Reports (papers) ERDF ESF EAFRD
4.	ERDF Outline Assessments PA4 & PA5:- City Hospital Energy Efficiency Project Derby CARES Trent Basin Community Energy Project MUNIO II
5.	ERDF Full Appraisal PA6:- Developing a World Class Destination
6.	EAFRD Expression of Interest
7.	Manufacturing Support - second phase project
8.	Update on Greater Nottingham SUD
9.	Any Other Business

Item 1. Apologies, Minutes of last meeting (8th November 2017)

1.1 Apologies were reported for:

Paul Harris	Rolls Royce
David Williams	Butt Foods
Michael Henry	Community Sector
David Williams	Geldards
Andrew Pickin	Business Representative
Tim George	Managing Authority ESF (DWP)
Cllr Tony King	Derbyshire County Council
Chris Henning	Nottingham City Council
Professor Edward Peck	Nottingham Trent University / HE
Mike Carr	Nottingham Trent University / HE
Matthew Easter	Sustrans
Justin Homer	BEIS
Roger Allonby	Managing Authority EAFRD (RPA / DEFRA)
Peter Gadsby	Ark Capital Ltd
Cllr Lewis	Derbyshire County Council

1.2 The Chair asked for confirmation that the minutes of the last meeting were accurate.

The minutes were agreed to be accurate and were therefore approved as an accurate record of the meeting.

1.3 Matters arising:

There were no matters arising.

1.4 Actions from the meeting 8th November 2017

Progress of actions:

Agenda Item from 8th November 2017 meeting	Action identified from 8th November 2017 meeting	Action update at 15/01/2018 meeting
Matters arising from the minutes	TG to forward the six Outline Application Assessments to MW by 13/11/17	IW reported action completed
Item 4 ERDF Update	IW to report progress on ERDF project performance discussions to the January Committee meeting	IW -To be addressed at Item 3 of this meeting agenda
Item 3 EAFRD Update	IW to discuss ESIF sub-committee request re flexibility in approving Food Manufacturing projects with the RPA and seek RPA update for the next meeting in January 2018.	Melanie Fischer reported that eligible Business size would be made clearer in future promotions, otherwise there is little flexibility in criteria
Item 4	Action: IW and MW to agree level of funding to contribute to the call (between £500k and £1m ERDF) following discussion with DIT. MW to complete template A 'local priorities' by 15 December. IW agreed to provide an update at the 15 th January meeting.	IW reported that following discussion with DiT agreement had been reached of a £500,000 contribution. The draft template was circulated by written procedures for agreement. This has now been included in the Call template.
Item 5	MW agreed to check that young peoples carers independent advice was included within the NEET call and advise the sub-committee	MW reported this action is complete

Item 2. Written Procedures update

There were no new updates reported

Item 3. Management Information Reports

3.1 ERDF - Ian White DCLG, ERDF Managing Authority

IW provided the sub-committee with management information to show progress against expenditure and output targets at the LEP area level. Members were asked to note:

Operational Programme Modifications:-

- The LEP area allocations and associated performance framework targets have now been finalised following the Operation Programme modifications which were adopted by the Commission on the 16th November.
- LEP areas are now only being provided targets that relate to the Performance Framework.
- Under the previous exercise to distribute LEP area targets, a pro-rata approach was taken. The same methodology and model has been used to distribute targets for this exercise.

IW presented an update on current performance for each PA in D2N2:

1. **Priority Axis 1 (Innovation)**, 76.6% of the current allocation of £18.2m has been programmed against 3 projects worth a total of £14m. A £4.2m PA1 call was launched in December 2017 with a closing date of 26th January 2018.

PA1 projects were contracted to spend £11.6m by the end of Quarter 3, however only £8.8m had been claimed resulting in slippage of £2.8m and an overall slippage rate of 24.07%. However progress towards the 2018 performance framework target is much better against a target of £9.3m a shortfall of only £500k.

In terms of key performance framework outputs for 2018, PA1 projects have claimed 237 C1 (Enterprises receiving support) which is 68.61% behind profile. However the 2018 target is 122 C1s and so D2N2 has already achieved the 2018 performance framework output target.

2. **Priority Axis 2 (ICT)** As part of the Operational Programme modifications in, the PA2 performance framework target was moved to *Number of Enterprises Receiving Support* and £7.6m of the D2N2 PA2 budget was transferred to PA3. PA2 commitment is 93.1% (£4.4m) of the priority axis allocation (£4.7m) following the reallocation of £7.6m from PA2 to PA3.

The PA2 project was contracted to spend £793k by the end of Quarter 3, however only £472k had been claimed resulting in slippage of £321k and an overall slippage rate of 40.5%. Progress towards the 2018 performance framework target is problematic with a shortfall of £1.9m.

In terms of key performance framework outputs for 2018, the PA2 project has claimed 73 C1 (Enterprises receiving support) which is 58.29% behind profile. The 2018 target is 231 C1s and so there is a significant gap in delivery although the live projects is contracted to deliver 637 C1s by Q4 2018.

3. **Priority Axis 3 (SME Competitiveness)** PA3 commitment is 74.2% (£32.2m) of the priority axis allocation (£43.4m) following the reallocation of £7.6m from PA2 and the reallocation of £1m from PA4 as part of the Operation Programme modifications. A £10.2m PA3 call was launched in December 2017 with a closing date of 26th January 2018.

PA3 projects were contracted to spend £23.3m by the end of Quarter 3, however only £18m had been claimed resulting in slippage of £5.3m and an overall slippage rate of 22.72%. However progress towards the 2018 performance framework target is better against a target of £22m a shortfall of £4.2m.

In terms of key performance framework outputs for 2018, PA3 projects have claimed 398 C1 (Enterprises receiving support) which is 65.11% behind profile. The 2018 target is 627 C1s and so there is significant gap in delivery, although projects are contracted to deliver 2753 C1s by Q4 2018.

- 4. Priority Axis 4 (Low Carbon)** – £22.2m (103%) of the revised PA4 (low carbon) allocation of £21.6m has been programmed against 3 live projects (£5.9m), 3 projects at full application stage (£6.7m), 3 projects at outline stage (£6m) and the Sustainable Urban Development for Greater Nottingham (£3.5m). We launched a Priority Axis 4 Call in December 2016 and at the final review point for this Call on 31 October 2017 we received 3 applications worth £6m. These applications will be considered under item 4 of the agenda.

PA4 projects were contracted to spend £3.7m by the end of Quarter 3, however only £2.4m had been claimed resulting in slippage of £1.3m and an overall slippage rate of 34.63%. Progress towards the 2018 performance framework target is very concerning against a target of £11.2m, a shortfall of £8.8m. This position is amplified because total contracted spend by Quarter 3 2018 is only £7.3m.

In terms of key performance framework outputs for 2018, PA4 projects have claimed 3 C1 (Enterprises receiving support) which is 96.76% behind profile. The 2018 target is 150 C1s and so there is significant gap in delivery, although projects are contracted to deliver 442 C1s by Q4 2018.

- 5. Priority Axis 5 (Climate Change)** – £4.65m (93.9%) of the current PA5 (Climate Change) allocation of £4.9m has been programmed against 1 live project (£3.15m) and 1 project at outline stage (£1.5m). We launched a PA5 Call in September 2017 and received 1 application, which will be considered under item 4 of the agenda.

There has been no spend against the current PA5 project. This represents a significant challenge in achieving the 2018 performance framework spend target with a shortfall of £2.5m.

The PA5 key performance framework output target for 2018 is based on 100% of schemes in place. The successful contracting of phase 1 of Project Munio means that we have achieved this target.

- 6. Priority Axis 6 (Environment & Resource Efficiency)** – £4.5m (93.8%) of the current PA6 (Environment & Resource Efficiency) allocation of £4.8m has been programmed against 1 live project (£3.9m) and 1 project at full application stage (£585k). This full application will be considered under item 5 of the agenda.

The live PA6 project was contracted to spend £540k by the end of Quarter 3, however only £40k had been claimed resulting in slippage of £500k and an overall slippage rate of 92.64%.

Progress towards the 2018 performance framework target is therefore problematic with a shortfall of £2.4m

In terms of key performance framework outputs for 2018, the live PA6 project has claimed zero hectares of C23 (Surface area of habitats supported in order to attain better conservation status). The 2018 target is 19 hectares of C23's and so there is significant gap in delivery, although projects are contracted to deliver 50 C23's by Q4 2018.

IW presented the key messages as follows:

Overall D2N2 projects were contracted to spend £40.2m by the end of Quarter 3, however only £29.8m had been claimed resulting in slippage of £10.4m and an overall slippage rate of 25.97%. PA1, PA3 and PA4 have the greatest value of slippage.

This has impacted on D2N2's progress against the financial performance framework targets where the overall target for 2018 is £50.1m and the total claimed is only £29.7m - a variance of £20.4m. There are particular concerns in achieving the target in PA2, PA4, PA5 and PA6.

In terms of key performance framework output targets for 2018, the PA1 and PA5 the target has already been achieved, but there is still significant progress that need to be made against the remaining priority axis.

IW reported to the sub-committee that he had attended a number of meetings with Grant Beneficiaries to discuss under-performance. As a consequence of the meetings there would be some de-commitment of resource; a tighter focus on delivery against 2018 performance targets; and re-profiling of expenditure only where robust evidence of delivery has been provided by the Grant Recipient. This was being addressed via submission of Recovery Plans along with Project Change Requests for a number of projects. No project extension or slippage requests were being considered without robust evidence from the Grant Recipient.

Following IW's explanation of the MA's approach to underperformance, the committee welcomed the action to progress robust contract management by the MA with the aim to minimise underperformance and any potential de-commitment of resources.

The sub-committee queried if the MA would be contracting beyond March 2019. IW reported that as part of the UK Government agreement with Brussels before Christmas the programme was likely to run until 2020 with spend continuing to 2023 but this was subject to the trade deal discussions being approved.

The sub-committee queried if there were any penalties for non-achievement of targets. IW explained that if N+3 target is not met at Quarter 3 2019 then funding will be lost across the Programme. The poor exchange rate compounded the achievement of the target.

The sub-committee sought feedback on the performance of D2N2 in comparison with other LEP areas and asked if there were common issues relating to poor performance. IW responded by giving examples of common issues such as SME match take up being slower than planned along with saturation of the market for certain business support activities. Actions to address issues such as increased flexibility around PA4 criteria and moving funds between PA's had helped the situation. IW asked sub-committee members to reinforce the messages from the MA to Grant Recipients regarding the importance of achieving targets.

Sub-committee members stated that this was a reputational issue for D2N2 and they offered support via sub-committee engagement with the issues.

The sub-committee queried which PA's and Grant Recipients were underperforming. IW reported that PA 3 was performing in terms of spend but was still at 22% slippage. PA1 was performing at £8.8m with 24% slippage and PA 4, 5 and 6 were performing poorly. Performance of specific projects was being reviewed on a case-by-case basis by the MA with IW delivering the message regarding the requirement to robustly evidence requests for slippage or de-committing funds to enable re-allocation in future Calls. The sub-committee requested a full project by project report to be presented at the next meeting in March 2018.

Action: IW to provide a detailed report on individual project performance for the next committee meeting on 19th March 2018.

3.2 ESF - Ian White on behalf of Tim George (ESF) DWP Managing Authority

IW presented a progress paper for ESF. The sub-committee was asked to note the following:

National Update:

Memoranda of Understanding (MOUs) amounting to £1118 million are now in place with our Co-Financing Organisations.

Direct Bid Funding Agreements have been signed worth £273.4 million.

The result of this is that 44% of programme budget has been committed by the Managing Authority through Funding Agreements and MOUs. (This reduction in Commitment from the last update relates to adjustments to Education and Skills Funding Agency contracts).

Applications status:

Outline applications assessments are being completed and applicants will be notified imminently. An update on the applicants invited to submit full applications will be provided at the next meeting.

Full Applications are currently in appraisal and will be sent out to the ESIF Committee for comment by Written Procedure. A number of applicants have been asked to provide further information and the Managing Authority will prepare reports for consideration by Written Procedure when all of their enquiries have been addressed.

The sub-committee was asked to note that actual spend is higher than the figures shown on figures for Quarter 2 and 3 (2017) in the attached MI report with this paper as figures had have not been finalised. In addition, a number of Projects were unable to report results in their earlier claims. These Projects have and will submit cumulative reports that bring their results up to date in subsequent claims. Current planning assumptions indicate that these will appear on the next update.

MW reported to the sub-committee that commitment level was good and some commitment had taken a long time to process which was proving challenging to delivery.

The sub-committee chair PR asked if the members wanted to express concern and seek a DWP presence and detailed update at the next meeting. MW would prepare a letter to DWP.

Action: MW to prepare a letter to DWP on behalf of the ESIF sub-committee.

3.3 EAFRD - Melanie Fischer on behalf of Roger Allonby EAFRD Managing Authority

EAFRD

MF presented a progress paper for EAFRD. Members of the sub-committee were asked to note the current position as follows:

Growth Programme funding calls remain open inviting Expressions of Interest (EOIs) for Tourism Infrastructure, Food Processing, and Business Development projects. The closing date for EOIs in these Round 2 calls has now been extended to 31 May 2018 subject to the availability of funds. As agreed locally, EAFRD calls in the D2N2 area are currently open for Business Development, Tourism Infrastructure and Food Processing, with updated budgets for each call. Updated applicant handbooks were published on the GOV.UK website in November 2017. For the D2N2 calls the minimum grant size has been reduced to £35,000 for all projects.

Since the 8th November 2017 meeting eight EAFRD Expressions of Interest have been received. Five projects have been processed during this time and each project has been invited to Full Application. The D2N2 Rural Reference Group (RRG) has provided advice on local strategic fit on each project with endorsement sought from the ESIF Chair on behalf of the sub-committee. Two projects had a grant request of over £100,000 and for these projects advice was also sought from the ESIF Sub Committee via written procedures. A summary of these projects is reported to the ESIF sub-committee by MF and was included in the paper presented at the meeting. Three EOI assessments have been received more recently and considered by RRG on 9th January 2018. MF reported that two projects have been invited being invited to full application. One further project 'purchase of new machinery and redevelopment of building' is for over £100,000 of grant and was presented to the ESIF sub committee for advice at agenda item 6.

Two Full Applications have been approved and contracted as included in the paper presented at the meeting.

PR asked if sub-committee members need to promote more. MF stated RRG was helping as was the Growth Hub. RM and DB agreed more events would help and stated that the number and diversity of projects is good.

MW asked if there could be a change in allocation for food processing. MF suggested this had been reassessed in the Autumn. MF reported that new Calls have an extended deadline for Expression of Interest to the end of May 2018. Furthermore, MF stated that there was a need to promote the opportunity for large or urban based businesses to access the funding. DB agreed to provide advisors with additional support to help businesses understand the opportunities available.

Item 4. ERDF Outline Assessments PA4 & PA5 :-

IW presented an update on the Managing Authority's progress in the assessment of Outline Application submitted in respect of the Priority Axis 4 December 2016 ERDF Open Call at the final assessment point in October 2017. Applications totalled £6,079million and so exceed the overall PA4 allocation. The Sub Committee was invited, to provide advice on how the proposals met local growth conditions and opportunities.

Project 1. City Hospital Energy Efficiency Project. – PA4

Project Name	City Hospital Energy Efficiency Project
Applicant	Nottingham University Hospitals NHS Trust
Declarations of Interest	None
<p>Project Value £13,200M, ERDF requested £4,9M</p> <p>IW informed the sub-committee that this project is seeking to upgrade the existing heating infrastructure at Nottingham City Hospital and eliminate the increasing costs of maintenance of the technology. The Trust also recognises this as an opportunity to deliver a more ambitious project aiming to achieve also a step reduction in the Trust's carbon footprint, future proof the Trust's future energy supply, reduce exposure to fluctuating energy prices (via on-site electricity generation), reduce energy demand from the site (via additional energy saving initiatives (LEDs, insulation, etc.) and release space in line with the organisation's strategic development.</p> <p>IW informed the sub-committee of overall comment from the MA on the outline assessment as follows: If this project is taken forward to full application stage, the applicant will need to provide more detail around how the project is a fit with investment priority 4a and 4c and demonstrate that the project is eligible under these investment priorities. Only 3% of the project is under 4a, so the applicant may want to consider applying solely under 4c. More detail is needed around the fit with local and domestic strategic priorities.</p> <p>The scope of the project is not entirely clear from the outline application; this project forms part of a wider package of works which may proceed without ERDF funding. A £45m contract has already been awarded to cover the wider programme and some of the costs include repair, replacement and upgrades to existing equipment and systems. Confirmation is therefore needed that ERDF is the funder of last resort. The applicant also needs to provide greater detail on the State Aid position of the project as this has not been adequately addressed and confirm that the proposed procurement Framework to be used meets ERDF eligibility criteria.</p> <p>RK informed the sub-committee of the Strategic Review Group comment as follows:</p> <ul style="list-style-type: none"> • it could contribute strongly to the achievement of performance framework target C34 and could therefore represent good value for money <p>However</p> <ul style="list-style-type: none"> • scope of the ERDF project is unclear, being part of a wider £45m procurement and wider programme of works. • No alignment with local or national strategic priorities contained in the D2N2 SEP, ESIF 	

strategy and the D2N2 Low Carbon Plan.

Advice of the SRG

- proposed project not invited to full application – needs more work to understand how ERDF funding will contribute to a stand-alone added value project
- Further ERDF PA4 call is opened for the unspent funds and the applicant invited to engage with TA support to address the identified issues and consider re-applying.

Recommendation

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project has WEAK strategic fit is not invited to full application. The sub-committee recommended that applicant should be offered support for any re-application if a new PA4 Call is launched.

Project 2. Derby CARES (Centres Accessing Renewable Energy Systems) –PA4

Project Name	Derby CARES (Centres Accessing Renewable Energy Systems)
Applicant	Derby City Council
Declarations of Interest	Cllr Martin Rawson
<p>Project Value £1,072,000M, ERDF requested £536,000</p> <p>IW informed the sub-committee that this project is seeking to significantly enhance the quality and impact of one of three major regeneration sites designated in the Derby City Centre Masterplan for 2030 notably The Market Hall. The project proposed will bring together technology that is new to the UK commercial markets with commercially available energy-efficient products and controls in a unique design as one ‘system solution’. This low carbon project will serve as both a pilot and reference site to the building fraternity, business sectors and to the public in general, encouraging behavioural change and best practice in energy conservation and generation.</p> <p>The project will comprise:</p> <ul style="list-style-type: none"> - Application of Photo Voltaic solar panels (PV) and Solar hot water panels - Adoption of an ORCAN power generation system design, a unique solution that combines high efficiency CO2 and heat exchange technology into one new combined heat and power system (CHP). Designed and proven in Germany this is new technology and the transfer of the design for local production will be a first in the UK markets. (Agreement has been secured in principle with ORCAN) - Battery storage technology, new to UK markets for combined energy generation use. - Low carbon energy efficient building design and associated smart controls. - Electric charge points as a future hub for e-transport connectivity plans for the City Centre <p>In summary the project will cost £1.072m and matched funding is sought at 50% intervention. It will generate 403,325 KW of alternative energy per annum (C32 measure) and produce savings</p>	

of 173 Tonnes of CO₂ per annum (C34 measure). This will allow the building to be carbon neutral and free of its dependence on national power sources. It will provide a return on Investment (ROI) of 2.5 years, create 10 new jobs in the building sector and serve as a reference site for a planned programme of dissemination and awareness in association with our regional partners notably the University of Derby and Growth Hub as explained in Section 3.

IW informed the sub-committee of overall comment from the MA on the outline assessment as follows:

The proposed activity appears broadly eligible but the costs may include refurbishment/ build costs not relating to low carbon installations which are outside the scope of PA4. The request for capital funds is possible under the Call for Proposals but the application would be strengthened by meaningful wider engagement, for example with SMEs and priority sectors, promoting low carbon technologies and their supply chains.

The outline application also raises a number of concerns as follows:

- **Additionality.** It appears that a refurbishment of Market Hall is expected to take place anyway and so a clear case needs to be made as to whether the costs to be included in the ERDF element of the project are additional to activity which is already going ahead
- **Procurement** – The costs of the project appear to have been procured already as details are provided at Annex 2a. However, these may relate to activity which is taking place anyway and so a condition has been proposed to identify the additional costs to be funded by ERDF. This information will need to be reviewed with the full application in order to verify that the appropriate procurement routes are used.
- **State Aid.** The applicant states that the project does not involve the provision of State Aid. However there is potentially support to the applicant and businesses (market traders).

If the project is invited to proceed to full application, a number of proposed conditions are included to request further information and ensure that the proposed activity is Compliant.

RK informed the sub-committee of the **Strategic Review Group** comment as follows:

Overall this is a satisfactory application that has a MEDIUM strategic fit and invite to full application with conditions stated by the Managing Authority.

Project includes elements of the unsuccessful Derby Market Hall P4 bid. Revised having taken note of the feedback on the unsuccessful application. This application focuses on combining a number of technologies as part of an overall renovation of the Market Hall in Derby, on a prominent city-centre site.

- Good alignment to the Derby City Centre Masterplan to establish a vibrant city centre as part of the D2N2 Strategic Economic Plan (SEP), support 'smart energy communities' initiative identified in D2N2 Sector Development Plan for Low Carbon goods and service.
- project represents good VFM especially for the Performance Framework output C34.

However

Need to clarify few issues at final application stage

- Greater clarity around the dissemination of the project particularly the roles of the University of Derby and D2N2 Growth Hub in this process
- Review C34 figures in line with ERDF guidance to clarify value for money calculations

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project has MEDIUM strategic fit and invite to full application with conditions stated by the Managing Authority.

Project 3 Trent Basin Community Energy – PA4

Project Name	Trent Basin Community Energy
Applicant	University of Nottingham
Declarations of Interest	Cllr Jon Collins
Project Value ££1,300,000 ERDF requested £650,000	
<p>IW informed the sub-committee that this project is seeking to combine photovoltaic generation, battery storage, ground-source heat pumping and thermal storage to produce a working system delivering zero carbon energy locally whilst simultaneously providing the kind of flexibility resources to the electricity system that can facilitate very high levels of renewable generation. The system will be a living test-bed exposing how home owners and occupants relate to this technology and exploring how residents, an ESCo (Energy Supply Company) and an aggregator can interact synergistically.</p> <p>The project will be managed by the University of Nottingham, working alongside the developer of the Trent Basin site – Blueprint. The project will be delivered in Trent Basin, a new waterside neighbourhood in Nottingham of low energy contemporary homes and apartments, located on the banks of the River Trent. It is the first phase of a major regeneration of Nottingham Waterside - stretching from Trent Bridge to Colwick Park and be delivered between January and December 2018.</p> <p>IW informed the sub-committee of overall comment from the MA on the outline assessment as follows:</p> <p>The project is in line with the aims of Priority Axis 4 as it aims to make a new housing development more energy efficient. More detail is needed at full application to confirm the impact of the scheme. The community energy scheme is voluntary and it's unclear as to exactly how many homes would be covered. More detail is also needed as to how the benefits will be shared more widely than the local development. More conditions have been proposed relating to procurement and more detail for value for money, revenue generation and state aid.</p> <p>RK informed the sub-committee of the Strategic Review Group comment as follows:</p> <p>Overall a satisfactory application that has a MEDIUM strategic fit and invite to full application</p>	

with conditions stated by the Managing Authority.

Renewable energy technologies related to generation, storage and distribution to provide for local community benefit in the Trent basin development including a demonstrator. Will provide energy and heating to over 30 homes and ultimately be available to 500 homes.

- activity aligns with the objectives of the call, the D2N2 ESIF strategy, the D2N2 Low Carbon plan, domestic strategic priorities and the ERDF operational programme.
- call specification related to 'sustainable energy communities' providing a 'whole place' energy management approach
- will complement the University of Nottingham's existing 'Environment Technology Centre 6' ERDF funded programme.

However

- VFM for Performance Framework output C34 is relatively low. If invited to full application, the applicant should consider how value for money for this output can be enhanced.

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project has MEDIUM strategic fit and invite to full application with conditions stated by the Managing Authority

Project 4. Project MUNIO II – PA5

Project Name	Project MUNIO II
Applicant	Derby City Council
Declarations of Interest	Cllr Martin Rawson
Project Value £3,000,000 ERDF requested £1,500,000	
<p>IW informed the sub-committee that this project is seeking to promote climate change adaptation, risk prevention and management through the delivery of works that will contribute towards the creation of the blue and green conveyance corridor at key areas of the Lower Derwent corridor, through the centre of Derby City. The project forms a key element of the overall Our City Our River (OCOR) Masterplan and will provide the City of Derby with more resilient flood defences to help cope with more extreme and intense flooding events brought about by climate change.</p> <p>MUNIO II focusses on the construction and delivery of a new pumping station at Mill Fleam on the River Derwent in central Derby. This intervention is a key piece of infrastructure which will provide critical flood mitigation enhancement to key commercial and retail businesses of the City Centre.</p> <p>In addition, the adjacent public open space; Bass' Recreational Ground will benefit from a scheme of environmental enhancements which will contribute towards the output measure required by this call. Derby City Council (DCC) is currently delivering Project MUNIO which was awarded ERDF funding in 2017. By delivering both Project MUNIO and MUNIO II</p>	

DCC will complete the delivery of the package of flood defence works focusing on the western bank of the River Derwent which constitutes a significant milestone in the overall delivery of the OCOR Masterplan MUNIO II will be delivered over a two-year period between 2018 and 2020 and will be managed and delivered by DCC. The construction works relating to MUNIO II will be tendered through an open OJEU complete tender process in accordance with DCC and ERDF procurement regulations.

IW informed the sub-committee of overall comment from the MA on the outline assessment as follows:

The project meets the requirements of the call and will deliver environmental and flood alleviation measures within Derby. The applicant has a track record in the delivery of ERDF funded activity and has the required systems and process in place. The value for money assessment shows the project to fall below the benchmarks for the operational programme and so further justification will be needed should the project progress to ensure the full benefit of the measure is captured.

If selected, the applicant will need to provide a state aid assessment to adequately demonstrate the 'no aid' basis for the intervention. This may be in the form of a view from the Environment Agency or from the applicants own legal team. A full suite of supporting documents will need to be submitted, including (but not limited to) the works specification and location plans for the intervention.

RK informed the sub-committee of the **Strategic Review Group** comment as follows :

An application with MEDIUM strategic fit and invite to full application with conditions stated by the Managing Authority.

This project follows on from Project Munio (1) and is a key stage in the Our City Our River Masterplan for resilient flood defence in the Lower Derwent in Derby. Project Munio (2) combines construction of a pumping station with environmental improvements to adjacent public open space.

Excellent strategic alignment with the call specification, D2N2 ESIF Strategy and ERDF Operational Programme (which specifies the Lower Derwent as a priority area for intervention) and the Environment Agency's Strategic Flood Risk Alleviation and Regeneration Strategy.

However, project provides relatively poor VFM for Performance Framework target P6 (businesses and properties with reduced flood risk). Applicant should revise how the project could protect a larger number of businesses and properties in final application

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project has MEDIUM strategic fit and invite to full application with conditions stated by the Managing Authority.

Item 5. ERDF Full Appraisal PA6 - Developing a World Class Destination

Project Name	Developing a World Class Destination - Green Infrastructure in North Derbyshire
Applicant	Derbyshire County Council
Declarations of Interest	Mike Ashworth
<p>Project Value £1,169,460 ERDF requested £584,730</p> <p>IW informed the sub-committee that the proposal fits the call criteria 6d – Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure through:</p> <p>Investing in restoring biodiversity and green infrastructure - D2N2 has identified that the natural environment plays a key role in the economy and attracts businesses, visitors and people to live and work in an area, and provides a number of economic opportunities such as the growth of the visitor economy and green economy. The project will create a new 7.4km green infrastructure multi-user trail and restore 13.7ha of habitat (Shown as 14ha in indicator annex, see section 2.8c) including restoring pockets of nationally scarce Magnesian limestone grassland.</p> <p>Delivering economic growth and investment benefitting businesses and communities to deliver sustainable economic growth through developing a former railway track as a surfaced multiuser cycle track within a green corridor of improved habitat and landscape renewal. The green infrastructure will be of benefit to the planned housing developments at Clowne and Bolsover North benefitting up to 2,700 new homes in addition to existing homes and businesses accessing the new green infrastructure.</p> <p>Improving the health and well-being, recreation and leisure of the local community, businesses and visitors through providing green infrastructure and through complimentary activities such as the EAFRD application the infrastructure will be widely promoted through delivery of the destination plan to develop the project area into a cycling/walking destination.</p> <p>Investing in green corridors, removing a significant area of derelict land that is previously a former mining area. Thus improving the image and perception making the area attractive to live, visit and invest.</p> <p>IW informed the sub-committee of overall comment from the MA on the full appraisal as follows:</p> <p>This project involves the remediation of 7.4km of former railway line and seeks to develop it as a surfaced multi-user cycle track within a green corridor of habitat and landscape renewal. The green corridor will link the urban centre of Clowne to the wider trails network. The proposal fits well with Priority 6 which funds the biodiversity and remediation of habitat and offers reasonably good value money. The project has strong support from the local community and represents a strong strategic fit with local and national strategies.</p>	

The main concern during the appraisal process was the proportion of costs included for the hard infrastructure elements of the project in relation to the green infrastructure costs. During the course of the appraisal the applicant has provided a rationale for the inclusion of these costs, reduced them where feasible and demonstrated that only essential items have been included.

The full application has addressed all the outline conditions. The minor changes since outline have been clearly set out. The ESIF funding sought has reduced by £85,835 from £670,565 to £584,730 and the deliverable for C23 - surface area of habitats supported in order to attain better conservation status has increased from 12.9 hectares to 13.7 hectares since outline application.

The main risks identified at appraisal which have the potential to impact on deliverability relate to the conditions imposed in the approved planning permission dated 19 October 2017 and the requirement for the Council to obtain Cabinet approval. The planning conditions include for no site clearance or construction work to take place between 1 March and 31 August to protect nesting birds and a 10 metre easement for the protection of Network Rail property which requires prior notification of commencement of the works. The next Cabinet meeting is scheduled for 15 March 2018.

A further issue identified in the planning permission is that the site falls partially within land that may be required to construct and/ or operate Phase 2 of HS2. The proposal represents reasonable value for money and the full application is accompanied by a granular breakdown of costs which indicates reasonable, consistent and eligible costs have been included.

RK informed the sub-committee of the **Strategic Review Group** comment as follows :

The project provides for a high degree of local strategic fit with good VFM and advise to proceed to contract.

The sub-committee endorsed the view of the Strategic Review Group and advised the Managing Authority that the project provides for a high degree of local strategic fit with good VFM and ADVISE TO PROCEED TO CONTRACT.

Item 6. EAFRD Expression of Interest

Project Name	Purchase of new machinery and redevelopment of building
Applicant	Kelsa Truck Products Ltd
Declarations of Interest	None
Project Value £500,000, Grant requested £150,000	
MF informed the sub-committee that this applicant is seeking to invest in a new laser cutting and drilling machine and expand their existing premises at Chapel-en-le-Frith, Derbyshire to accommodate this.	
The sub-committee sought confirmation that the project would not go ahead if grant was not	

provided. MF informed the sub-committee that all efforts are made to ensure the grant is necessary to deliver the project.

LA and RM commented that the EoI demonstrated good job creation and a strong strategic fit

The sub-committee supported the recommendation to progress to full application.

Item 7. Manufacturing Support - second phase project

IW presented a paper to the sub-committee in relation to the intention to launch a national call in March 2018 to bring forward a second phase of ERDF-backed support to manufacturing businesses.

The sub-committee was asked:

- if they wish to participate in the call;
- to provide input on local priorities to be contained in the call; and
- to confirm the level of funding to contribute to the calls.

The deadline for confirming whether the sub-committee would like to allocate funding to the call and submission of a completed template is 29 January 2018.

MW stated that D2N2 already has a live have PA3 call already and suggested that the response to the call should be assessed before making further commitments.

Members of the sub-committee expressed concern regarding SME manufacturing businesses that may not be eligible for PA3. There was some concern that if D2N2 did not take part in this Manufacturing Support Call some sectors will not have access to support. MW informed members that there is nothing in the current call that would not allow businesses to apply. The sub-committee were advised that the current Call is likely to be oversubscribed.

Recommendation

The sub committee decided not to participate in the March 2018 Manufacturing support call.

Item 8. Update on Greater Nottingham SUD

JW informed the sub-committee that the current Call is open until 2nd March 2018.

Six applications were received at the first assessment point of the live call. Two had failed the Gateway and one rejected due to low strategic fit with the SUD Call. Three projects have been invited to submit full applications:-

- Digital Technology Hub
- Nottingham Incubator
- NTU Enterprise & Innovation Centre

Business incubator projects submitted to date reflect £9.5m of the £9.8m SUD allocation. The SUD was being kept open for the remaining £300,000.

One bid submitted at the second Call assessment point will be considered at the February SUD meeting. The sub-committee will receive a further update at the next ESIF sub-committee meeting in March 2018.

The sub-committee recognised the good progress so far.

Item 9 Any other Business

There was no other business.

Appendix A - Actions of the meeting:

Agenda Item	Action	Action assigned to
Item 3.1	IW to provide a detailed report on project performance for the next committee meeting on 19th March 2018	IW
Item 3.2	MW to prepare a letter to DWP on behalf of the ESIF sub-committee.	MW

Annex B Attendee List

Name, title and organisation	Sector/Organisation Representing
Peter Richardson (PRich)	D2N2 LEP
Ian White (IW)	Managing Authority ERDF (MHCLG - Formerly DCLG)
Name, title and organisation	Sector/Organisation Representing
Jane Howson (JH)	Autism East Midlands
Nicola McCoy-Brown (NMcB)	Nottinghamshire County Council
Rob Mayo (RM)	Rural Reference Group
Cllr Reg Adair (Cllr RA)	Nottinghamshire County Council
Diane Beresford (DB)	East Midlands Chamber of Commerce
Dawn Ward	Burton and South Derbyshire College
Cllr Rawson (Cllr R)	Derby City Council (Deputy Leader)
Melanie Ulyatt (MU)	Federation of Small Businesses (Nottinghamshire and Derbyshire)
Ian Morgan (IM)	Business Representative / Wellglade
Cllr Jon Collins (Cllr JC)	Nottingham City Council
Nicki Jenkins (NJ)	Nottingham City Council
Mike Ashworth	Derbyshire County Council
Frank Horsley (FH)	Derbyshire County Council
Jem Wooley (JW)	Greater Nottingham SUD
Richard Kirkland (RK)	D2N2 LEP
Matthew Wheatley (MW)	D2N2 LEP
Lindsay Allen (LA)	D2N2 LEP
Yvonne Dickinson	MHCLG (Formerly DCLG)
Melanie Fischer	Managing Authority EAFRD / RPA

Apologies:

Name, title and organisation	Sector/Organisation Representing
Paul Harris (PH)	Rolls Royce

David Williams (DW1)	Butt Foods
Michael Henry (MH)	Community Sector
David Williams (DW2)	Geldards
Andrew Pickin (AP)	Business Representative
Tim George (TGeo)	Managing Authority ESF (DWP)
Cllr Tony King (Cllr TK)	Derbyshire County Council
Chris Henning (CH)	Nottingham City Council
Professor Edward Peck (Prof EP)	Nottingham Trent University / HE
Mike Carr (MC)	NTU (representing Professor Edward Peck)
Matthew Easter (ME)	Sustrans
Justin Homer (JH)	BEIS
Roger Allonby (RA)	Managing Authority EAFRD (RPA / DEFRA)
Peter Gadsby (PG)	Ark Capital Ltd
Cllr Lewis (Cllr L)	Derbyshire County Council

Dates and times of next meetings:

Monday 19 March 2018 12.30pm - 2.30pm – Nottinghamshire County Council

Friday 18 May 2018 1.30pm-3.30pm – Derby Arena

Monday 16th July 2018 11.30am-1.30pm – Derbyshire County Council **(to note date change from 9th July)**

Monday 24 September 11.30am-1.30pm – Nottinghamshire County Council

Friday 30 November 1.30pm-3.30pm – Nottingham City Council