

Investment Committee Meeting
Friday 13th September: 10-12.30pm
Coast to Capital – Pacific House – Tilgate Room

Attendees:

Voting Members;

Julie Kapsalis – Interim Chair (JK); Jonathan Sharrock (JS); Colin Kemp (CK); Karen Dukes (KD); Mike La Rooy (MLR); Nancy Platts (NP), Amanda Jones (AJ)

In Support

Tony Middleton (TM); Cali Gasson (CG); Hannah Gosling (HG); Taygan Paxton (TP)

Governance Advisors

Carli Foster (CF) – Accountable Body; Cath Goodall (CGo) - BEIS; Sean Murphy (SM) – Accountable Body

Peter Duggan (PD) – Department for Transport

Apologies

Martin Harris; Jamie Arnell; Tony Newman; Louise Goldsmith; Lisa Taylor; Frances Rutter; Dan Yates; Manju Shahul-Hameed

1. Open, Welcomes and Apologies

1.1 Welcome, introductions and apologies were made. The Chair of the Committee gave a brief overview of the purpose of the meeting.

2. Conflicts of Interest

2.1 The Chair explained to Committee members that during Item 3 – ‘LGF Ranked List & Funding Allocations’, there were Committee members present who had submitted or had been involved in the Full Business Case (FBC) submissions to the LEP. The Chair therefore recommended that because no decision was to be made on specific projects, and only an overall decision is being taken regarding the threshold for successful projects, there would be no conflicts at that stage of the agenda item.

2.2 The Chair read the Conflicts of Interest statement to which, it was asked for any Committee members to declare any conflicts. The following conflicts were expressed by members of the Committee:

2.3 CK expressed that due to his role as Deputy Leader of Surrey County Council, he had a trivial conflict with the Claire & James item, and therefore there was not a need to exit the room.

2.4 It was declared by NP that due to her role as Leader for Brighton & Hove City Council, there was a conflict with the Brighton Valley Gardens Phase 3 Item and therefore she agreed to exit the room during this item.

To note: Coast to Capital had sought advice from the Accountable Body regarding both AJ and MLR's position with conflicts due to both working within the Brighton & Hove area. The Accountable Body and Committee agreed both Committee members were not conflicted as they had not been directly involved with developing the bid.

3. LGF Ranked List & Allocations

3.1 TM explained to all members that following the previous Investment Committee held on Friday 6th September 2019, a number of applicants shortlisted at EOI stage had come forward to present their FBC to the Committee. All present Committee members completed a score sheet for each project, which were collected and averaged at the end of the session to create a ranked list of schemes. It was recommended to the Committee to fully fund applications which had scored 70% and above, as these projects had the strongest alignment with Gatwick 360. It was also agreed that bids which had scored between 60%-70% should have a pro-rata split of the remaining funds which worked out at up to 41% partial funding awards. Committee members had confidence that the majority of the schemes

being offered partial funding awards would be able to deliver the entirety of outputs. Therefore, it was agreed the recommendation to give delegated authority to JS to decide the acceptable level of outputs for each project.

3.2 TM explained that if a situation arises where an organisation could not deliver the scheme with a 41% funding award, there would then be a recommendation to the Investment Committee to earmark the project and fund the scheme if further Government funding came forward. Projects that scored between 50%-60% and were unsuccessful in this call for bids, would be kept in the pipeline for potential future funding should any become available.

4. A29 Re-alignment

4.1 TM gave an introduction to the agenda item. The Committee had previously examined the A29 Re-alignment scheme at both June and July 20-19 Committee meetings. The key issue that the LEP had explored was the deliverability of Phase 2 of the scheme, as it had been made clear that Phase 2 of the A29 Re-alignment would not be delivered within the spending period up to March 2020/21; and therefore was higher risk. The recommendation brought forward to the Committee was to recommend that the Board approve the award of funding for Phase 1 (£9.9million), as this phase is deliverable within the timescale, and that it would unlock the significant housing development within Arun. Following this, it was asked that the Committee recommend the Board to agree to earmark Phase 2 (£2.4million) should any future funding become available. The Committee agreed both recommendations, and therefore both would be presented to the October Board 2019 via the consent paper, to conclude a decision.

4.2 Due to the strategic importance of the large scheme which would deliver a high proportion of new housing, it had been clarified and agreed with Government the ability to allow capital swaps and release funding flexibilities as an exceptional circumstance. All contractual outputs and conditions formally written within the funding agreement would confirm that the entirety of LEP funding would have to be spent which would be legally enforceable if breached.

5. Claire & James House

5.1 TM gave a brief introduction to the scheme. The scheme had been discussed at the June 2019 Investment Committee meeting where it was highlighted that LGF had previously been used to allow Mole Valley District Council to purchase an office building to which, the original Business Case submission had outlined the want to repurpose the space and create commercial space within it. Mole Valley District Council had decided to take a different approach to the use of the office building, on grounds of viability.

The LEP understood the issues of viability of commercial space in Leatherhead, it was understood why the council had taken the decision to move the project towards creating housing instead of the commercial space that was originally promised within the Business Case.

5.2 The June Investment Committee had asked for a further conversation to take place with the Chief Executive of Mole Valley District Council (MVDC) about their commitment to delivering the original outputs which the funding was awarded to. Both AM and JS had a number of conversations with the Chief Executive following which a formal letter had been received, describing the council's commitment to deliver the full package of outputs that had been originally promised within the Business Case, but being part of the overarching Transform Leatherhead programme. The proposals have been put forward to the Committee for scrutiny and the Committee were asked to approve the recommendation in the paper from officers to continue to allow Mole Valley District Council to keep LEP funding and to not action claw back. It was asked of Karen Brimacombe (Chief Executive of Mole Valley District Council) to present to the Committee to give their absolute assurances the scheme would be delivered.

Karen Brimacombe & Emma Day from Mole Valley District Council entered the room

5.3 MVDC gave a brief presentation to the Committee. Claire & James House had been described as a run-down office block, which gave visitors that arrived in Leatherhead a poor first impression. MVDC had brought the building with no fixed plan other than to transform it into a vibrant, mixed use facility, which would be part of the Transform Leatherhead Masterplan. It was said that in 2017 a report had been conducted where MVDC cabinet had looked at the feasibility of bringing forward the scheme. The outcome of the report had summarised that the building would not be suitable for office accommodation or a hotel facility, due to its location. A further challenge for the council had occurred, as the building located next to Claire and James House is a listed building, where intensive consultation and discussion had caused further issues. The presentation outlined that the new vision for the site was to create a community space to include a visitor centre and a café on the ground floor, and that there had been significant demand to offer training or space for indoor sporting activities such as yoga in the Leatherhead area.

The Q&A session began.

Q: How can you define outputs at this current time and guarantee these outputs will be delivered?

A: This has been a difficulty all along and we have previously discussed this with the internal monitoring team at the LEP. We want to be certain within the legal agreement what these variations may be and that planning has been a real challenge. The planning journey won't be over until our

partners have got detailed consent which will still be some time away. We know from a planning perspective we can deliver residential units, a community space, and a catering unit. We know we've got the reserved approval for the Landscape Park but in principal, it is not in use from planning perspective. When the partner gets the detail that's when they will finally lock down the outputs for the scheme, where MVDC will manage this as they are the land owner for the legal agreements. We currently know what the baseline outputs will be. Do we baseline on what we know now or baseline on what we think we will achieve? I don't have the answer to that as of yet.

Q: Is this scheme going to be delivered by 20/21?

A: We are in 2019 now with 6-9 months to get to detailed consent which I think is achievable. The build programme will depend on how quickly they can mobilise and discharge the planning conditions.

Q: Could you explain how you believe a café, community space and a visitor centre will be a new destination to bring visitors to Leatherhead?

A: Leatherhead is a market town, where we have a population of about 300,000 within a 20 minute drive time of the town centre. We know from the Masterplan work and further updates that a significant amount of people rather than go to Leatherhead, will go to Cobham, Kingston, Epsom and Guildford and go to the areas for different reasons. Also within East Surrey and Mole Valley we have a strong walking and cycling culture which people enjoy most about our district. This riverside park is on the Mole Gap trail which has a direct link to the Area of Outstanding Natural Beauty, which is really well used currently. People who don't have that special interest don't really know what they can do from there. We are trying to create a mini Arundel in a smaller defined area. It is close to our leisure centre which we also own, where it is interconnected with the leisure quarter.

We have had two expressions of interest for the café currently which won't be a large chain, it will be an independent business.

Q: Could you please explain the money side of the project e.g. how much money you have spent and talk through the governance of the scheme?

A: Within the agreement which will be done as a long lease hold, we will have control as freehold owner in terms of what planning permission they put forward. We are building a long stop so if they chose to give the land back, we will take it forward ourselves or find a partner who can. There was significant interest from credible partners to take the scheme forward, so we are confident if our third partner can't deliver the scheme, then we will find someone who will. This will then effect the delivery timetable which we are aware of however, we have to protections in place to secure that. In terms of Governance, every key decision taken on this scheme is taken to Cabinet either informally or formally at the key milestones and the process, we went through scrutiny on Tuesday to get the approval for the third partner which we've got. We've got Cabinet a

week on Tuesday where we hopefully will get the final authority to go forward and contract the partner and take the scheme forward. We would like to work better together with the LEP to communicate and engage more.

Q: You had mentioned Phase 2, does this mean some of the outputs that you have discussed today relate to Phase 2 of the scheme?

A: No, the outputs you have hear today are what we have got consent for. Phase 2 is for the wider Riverside Park.

Mole Valley District Council left room

5.4 The Committee discussed the session and it was made clear that there had been a strong need to keep employers in the area, where there had been a desperate need to evolve Leatherhead. It was agreed to contractually ask MVDC commit to support the wider outputs. The wider programme and scheme had been seen as credible therefore, the Investment Committee **agreed** the recommendation to change of scope and allow MVDC to retain the LGF funding, issuing a new Funding Agreement either through a Deed of Variation or a whole new funding agreement. To be discussed with the Accountable Body.

6. Valley Gardens Phase 3

NP left the room

6.1 JS introduced the above item by confirming that the Valley Gardens Phase 3 scheme had been previously considered by the Coast to Capital Board in January 2019. The history to the project was:

- May 2013 – Local Transport Body (LTB) requested funding applications
- June 2013 – Brighton & Hove City Council submitted a bid for Valley Gardens
- July 2013 – The LTB agreed the inclusion of the VG Corridor scheme
- March 2014 – Valley Gardens included as part of the Strategic Economic Plan
- July 2014 – Approved VG Phases 1 and 2 scheme. Stating that Phase 3 could commence in 2017.
- July 2014 – Government confirmed VG Phases 1 and 2. Also announced its intention to allocate Phase 3.
- December 2018 – Full Business Case (FBC) received for Phase 3.
- January 2019 – VG Phase 3 FBC reviewed at Board.
- September 2019 – Phase 3 discussed at Investment

6.2 JS clarified that it was not the LEP's role to question detailed transport design points relevant to the scheme and the Committee should focus on confirming whether the pre-conditions set following the January 2019 meeting had been met.

6.3 JS confirmed that the most significant document before the Investment Committee were the assurances from the Monitoring Officer for Brighton and Hove City Council (BHCC) that the five conditions set to BHCC in the letter of 1 February 2019 had been substantively met. In particular, that BHCC had followed due process in its approval of the scheme. The Accountable Body representative agreed and confirmed that the Monitoring Officer was legally liable for the accuracy of this advice. JS stated that solicitors Browne Jacobson had also given a confirmatory opinion that the conditions for funding previously set by the Investment Committee had been met by BHCC. Given this, JS advised that Committee recommend funding be approved by the Board.

6.4 TM:

- Confirmed that solicitors Browne Jacobson had legally vetted the Investment Committee paper and had drafted the legal comments section.
- Reminded the Committee of the information contained within the papers including scheme business case and confirmed that the information was in accordance with the new National Assurance Framework published earlier in the year.
- Drew the Committee's attention to the independent scheme appraisal.
- Drew the Committee's attention to the various documents attached to the paper, expressing concerns over the scheme from some members of the public and the Valley Gardens Forum and relayed that these also related to concerns over the design including removal of the roundabout in front of the pier.

6.5 JS added that he had received further correspondence within the last 24 hours including very detailed comments, and letters of support including from a local MP and Councillors.

6.6 The Committee discussed the project and points discussed included:

- Members being comforted by the monitoring officer's confirmation.
- The role of the monitoring officer being confirmed by the Accountable Body solicitor.
- It was to be expected that complex projects such as this would attract comments from members of the public and affected parties.
- The LEP must rely on the statutory process and technical competence of BHCCs transport team to have derived and designed the right schemes including the assessment by Mott MacDonald and transport consultants

6.7 It was noted that the Coast to Capital Assurance Framework states that only schemes of high value for money would be approved. The Valley Gardens Phase 3 project had been assessed as low value for money but

was recommended for approval by the independent transport assessor on grounds of the wider scheme and benefits to be realised of Phases 1 and 2 which had already been funded. PD of DfT confirmed that, under exceptional circumstances, projects of low value for money can be approved by LEP Boards. JS agreed to write to PD to obtain this confirmation in writing.

Secretary's Note – DfT has confirmed in writing that under exceptional circumstances, projects of low value for money can be approved by LEP Boards.

6.8 It was noted that a Councillor had asked the BHCC Audit Committee to examine the Council's decision making around the scheme. If this resulted in any change to the view of the Monitoring Officer then the LEP would be informed and any potential funding award would be reviewed. This point would be made clear in any potential funding agreement with BHCC.

6.9 The Committee agreed to recommend to the Board that a funding agreement be entered into with BHCC for the award of £6m of LGF for the Brighton Valley Gardens Phase 3 project, subject to receipt of written confirmation from DfT relating to the Board's authority to approve a scheme classified as low value for money.

7. High Risk Report

NP entered back into the room

7.1 CG gave a brief overview of the High Risk Report. It was proposed that the focus of this agenda item would be to discuss and agree the latest risk assessment with RAG ratings for each of the high risk' projects.

7.2 A29

7.2.1. Previously the scheme had been rated as RED however, following the discussion on the A29 Re-alignment and the recommendations to the Board to fund Phase 1, the Investment Committee agreed that the risk rating should be AMBER/RED, with close monitoring of the scheme until a funding agreement has been finalised.

7.3 Horley Business Park

7.3.1 The recommendation made to the Committee was to keep the scheme RAG rated at AMBER/RED from the previous Investment Committee. The LEP was still awaiting the draft Funding Agreement and therefore it was difficult to understand timescale and deliverability of the project and when the LGF would be drawn down. It was agreed to rate the scheme as AMBER/RED until the

final funding agreement had been received. Further clarity of this would be shared at the next Investment Committee meeting.

7.4 Blackrock

- 7.4.1 It was recommended to the Committee to keep the RAG rating at AMBER/RED. An internal audit review had been scheduled for October 2019 where members of the Committee will be updated at the next Investment Committee, where members would be able to determine if the rating would be raised or lowered. It was agreed to keep the RAG rating at AMBER/RED under close monitoring until the audit review had taken place.

7.5 Valley Gardens Phase 3

- 7.5.1 The Investment Committee agreed that the risk rating should remain as AMBER/RED, with further monitoring to be conducted on the scheme subject to the decision being taken at the October 2019 Board meeting.

7.6 Horizon Scanning

- 7.6.1 The Investment Committee noted the projects with potential to increase to higher risk over the project delivery period. It was agreed that the Investments Team would re-review all projects in detail and invite some Delivery Bodies to present at the next meeting.

8. AOB

None.

Finish