

Report sponsor: Simon Riley, Strategic Director  
of Corporate Resources  
Report author: Toni Nash, Head of Finance

## **Compliance with Contract and Financial Procedure Rules**

### **Purpose**

- 1.1
  - Capital grant award agreement of £17.25m – SmartParc Spondon Ltd
  - Approval of a loan of £0.025m – Ascend Scale Up

### **Recommendations**

- 2.1 To approve the entering into of capital grant award agreement(s) of up to £17.25m with SmartParc Spondon Limited as outlined in section 4.1.
- 2.2 To approve in principle that a loan of £0.025m is advanced to company x from the Ascend revenue fund, subject to the confirmation of a satisfactory due diligence outcome as outlined in section 4.7.
- 2.3 To delegate authority to agree suitable terms to make the Ascend loan advance to the company to the Strategic Director of Corporate Resources in consultation with the Strategic Director of Communities and Place as outlined in section 4.7.

### **Reasons**

- 3.1 To ensure compliance with the Council's Financial and Contract Procedure Rules.
- 3.2 To ensure alignment of the SmartParc funding award with the delivery model ensuring that the party purchasing the land is aligned to the delivery of the grant outputs.

### **Supporting information**

#### **4.1 SmartParc Project Capital Grants**

On 10 March 2021 Council Cabinet approved the award of grant agreement(s) of up to £17.25m to SmartParc to be funded from the Getting Building Fund and council resources. In March, SmartParc was refining its proposed delivery structure for the SmartParc Project and the identity of the grant recipient had not been confirmed. It has now been confirmed that the grant recipient will be SmartParc Spondon Limited.

- 4.2 SmartParc Spondon Limited is a special purchase vehicle, whose shares are currently held by SmartParc Group Limited. SmartParc Group Limited forms part of the wider Tonroe Group, which specialised in delivering capital turnkey projects in the food, pharmaceutical, logistics and hi-tech manufacturing sectors.

- 4.3 Following the 10<sup>th</sup> of March, SmartParc have agreed terms with a private sector investment partner to deliver the scheme and who will be investing directly within SmartParc Spondon Limited.
- 4.4 The details of the ownership of Smartparc Spondon Limited are detailed in the confidential version of this report.
- 4.5 The confidential report also explains the associated implications for the Council's role as Accountable Body for the Getting Building Fund allocated to the Smartparc project.
- 4.6 It is recommended to approve the change to the 10 March Cabinet report and approve the entering into grant award agreement(s) for up to £17.25m with SmartParc Spondon Limited.
- 4.7 **Ascend Loan**  
Ascend Scale-Up has been formed from the £3m capital and £2m revenue City Growth Fund approved by Cabinet in September 2020 and is being administered by the Economic Recovery and Growth Team within the Council. Applications are considered by the Ascend Selection Panel which is set up to oversee the successful delivery and performance management of the program and to make recommendations subject to the appropriate formal decision makers in the Council. The programme is designed to assist the most promising Derby businesses to support investment and job creation.
- 4.8 The Ascend Selection Panel Members are selected based on their skills and abilities to inform business support and investment recommendations. Some examples of the types of organisations represented on the panel are Derby City Council, University of Derby, Investors, professional services (such as legal and financial), and local entrepreneurs.
- 4.9 Ascend treats all Companies financial information as confidential because of the sensitive commercial nature involved and for this reason the business has been anonymised. The Ascend Selection Panel on 28 April 2021 recommended to support a revenue loan of £0.025m to company x. Approval as required by Financial Procedure Rules is now sought to award the revenue loan of £0.025m to company x from the £2m Ascend revenue fund, subject to due diligence and contracting.
- 4.10 During the due diligence process the company's project viability and financials will be scrutinised to ensure the deliverability of the project and loan repayments. Interest rates will also be determined to feed into a loan repayment schedule to be contracted over a 3 year period. Delegated authority to the Strategic Director of Corporate Resources, in consultation with the Strategic Director of Communities and Place, is sought to agree suitable terms to make the loan advance after appropriate due diligence.
- 4.11 It is recommended to approve in principle that a loan of £0.025m is advanced to company x from the Ascend revenue fund, subject to the confirmation of a satisfactory due diligence.
- 4.12 It is recommended to approve delegated authority to agree suitable terms to make the Ascend loan advance to the company to the Strategic Director of Corporate Resources in consultation with the Strategic Director of Communities and Place.

## Public/stakeholder engagement

- 5.1 **SmartParc** - There is ongoing stakeholder engagement through the planning application process.

## Other options

- 6.1 **SmartParc** - The Council discounted the option not to engage proactively in the project proposal, and instead choose to leave the inward investment to market forces, as it is likely that the opportunity would be lost to another region.
- 6.2 **SmartParc** - The awarding of the grant to SmartParc has been discounted, as this entity will not have the control of the site or the ability to deliver the grant funding outputs.
- 6.2 **Ascend** - Do not offer the loan, but this would not be in line with the purpose of the Ascend Scale-up or the recommendation of the Selection Panel.

## Financial and value for money issues

- 7.1 As outlined in the report.

## Legal implications

- 8.1 **SmartParc** - As outlined in the report. The Council has appointed Browne Jacobson LLP to provide legal advice on this transaction and Browne Jacobson are advising on the terms of the grant agreement and associated guarantees.
- 8.2 **Ascend** - The Ascend loan due diligence exercise will identify that the award will be suitably protected and compliant with the scheme rules and subsidy control.

## Climate implications

- 9.1 **SmartParc** are currently formulating their sustainability strategy for the Park. The proposal focuses upon green energy through the adoption of low carbon energy generation, working with occupiers to reduce food miles through collaboration and reducing waste. SmartParc are working to develop a roadmap to achieve net zero by 2030.

## This report has been approved by the following people:

Role	Name	Date of sign-off
<b>Legal</b>	Emily Feenan	
<b>Finance</b>	Toni Nash – Head of Finance	
<b>Service Director(s)</b>	Alison Parkin – Director of Financial Services	
<b>Report sponsor</b>	Simon Riley – Strategic Director Corporate Resources	
<b>Other(s)</b>	Jon Sayer – SmartParc	19/05/2021
	Jane Kirby - Ascend	19/05/2021

<b>Background papers:</b>	n/a
<b>List of appendices:</b>	n/a