

## **HOTSW Investment Programmes**

### **Highlight Report No 12 – 30<sup>th</sup> November 2015**

#### **Reporting period**

November 2015

#### **Summary Comments**

A number of meetings and communications have taken place to update the expenditure profile for GD1 for the December SIP review, including identifying means to spend the entire allocation during this financial year. This includes clarification on financial requirements for Growth Deal and non-Growth Deal options to loan or grant funding. The December review shows an improvement in spend against the September review. The “Annual Conversation” meeting took place with BIS on 30<sup>th</sup> November including providing an update on our 15/16 and 16/17 spend forecasts.

The website update with the missing documents identified in the SWAP audit report is now near completion, with only 2 documents outstanding.

Progress continues on funding agreement schedules development and review for individual projects.

Although GD3 pipeline has closed, we are still accepting project ideas from website enquirers to input into a project bank.

#### **Growth Deal 1**

The December review shows a reduction in the underspend and the ability to bring GD2 projects forward to make up some of the shortfall now we have confidence, following the Spending Review announcement on 25<sup>th</sup> November. Overall the underspend is now showing at £10.8m with options to reduce this further identified. Meetings with SCC Finance as accountable body, indicate we will not be able to make payments in advance to enable project cashflow, as this will not comply with accounting rules but if needed, we can fund other work capital projects to enable spend.

The signing of funding agreements still proceeds slowly. A number of agreements are near signing. 7 funding agreements are now signed. 3 claims (City College Plymouth, Exeter Science Park) have been paid. The Huntworth Roundabout scheme and Plymouth Science Park have started on site with claims expected soon.

Work is required to ensure the outputs requirements align with the outputs being collected and evidenced for individual projects – e.g. government appears to consider some elements in the system as “in-kind” match, such as land value, whereas the projects have treated them as capital assets/leverage. So some questions need to be raised with DCLG re what is and isn’t “in-kind” match funding. In addition, some further investigation is needed on govt. requirements for costly surveys v/s estimates/models e.g. for job outputs. There has been some discussion around the measurement/monitoring of outputs with individual projects on the outputs targets in their monitoring plan and business case. The December SIP review means this activity has been delayed until December.

A programme management guide is still in progress but other items have been prioritised. When available this will provide advice on the programme management process to the decision making groups and teams delivering the programme. In the meantime SCC is producing guidance on the claims process and form to be issued with the claim forms.

### GD1 Programme Overview

	Comment	RAG
<b>Timescale</b>	Programme is live. Business case approval is near complete for 15/16 starts. Expenditure slippage identified for 15/16 against our government allocation of £11.8m or 26%. This reduces to £10.8m including GD2 projects that can spend early. Funding agreement finalisation is proving significantly slower than expected.	<b>A</b>
<b>Scope and objectives</b>	Programme is within the scope and objectives agreed by LEP Board and government	<b>G</b>
<b>Budget</b>	Programme is on budget and the 2015/16 grant payment has been made. Currently we have headroom of £0.05m.	<b>G</b>

### GD1 Programme milestones and activities this period

Activity	Comment	Completion date
First funding agreements signed by projects	Draft funding agreements issued for approved projects (20). 7 agreements signed.	Winter 2015
Project business case approval	23 business cases approved to date (29 projects in total, 4 are 16/17 starts). HPTA is a partial approval.	Winter 2015
Programme Management	Work undertaken to react to SWAP audit report regarding transparency and provision of SIP and LG documents on website. 2 docs outstanding only.	Dec 2015
Management of Expenditure	Met with SCC accountable body re spend review and mitigation. Followed up with projects to produce updated profile for December review. Further work is underway on opportunities to manage 15/16 underspend. A quarterly profile for 16/17 for GD1 and GD2 has been produced, for refinement.	Jan 2015

### Other activities in next period Q3 2015/16

Activity	Comment	Completion Date
Programme Management Guide produced	In progress	Winter 2015
GD3 Call for projects process	EOIs submitted. Revised timeline circulated for prioritisation expected Jan/Feb 2016.	Feb 2016
Monitoring	Second GD1 return and first GPF return to be submitted on Logasnet in Dec 2015.	March 2016
Programme Management	2 LEP representatives attending PMO/Accountable Body BIS Growth Deal Finance meeting in Birmingham on 3 <sup>rd</sup> November.	Nov 2015

## Critical risks and issues

Risk/issue	Management /Mitigation	Owner
Business case reviews show some projects cannot proceed on programme leading to slippage and underspend	Medium Risk. Leadership Teams to manage slippage across their portfolio of projects and/or bring forward reserve projects from approved pipeline as substitutes	LEP Leadership Teams/LTB/PMO
Reprofile of LGF budget to meet government requirements for annual spend causes delivery delays for some projects.	Medium Risk. SIP has discussed options for managing this with activities identified, leading to future Board decision as/when necessary.	SIP/LEP Leadership Teams/LTB/PMO
Lack of management of GD1 spend impacts on GD3 allocation for HOTSWS.	Medium Risk. SIP and Board has discussed options for managing this with activities identified.	SIP/LEP Leadership Teams/LTB/PMO

## Budget summary

The BIS funding is £111.6m and £111.55m has been allocated by the LEP to projects giving £0.09m of headroom.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Forecast spend £m (GD1)	31.6	58.91	16.09	3.8	0.73	0.38	111.51

## Growth Deal 2

Awaiting confirmation of GD2 funding from government – expecting this in February, following an indication of no cuts being made to GD2 at Autumn Statement.

Some projects would like to bring business cases forward early to SIP and spend before end March 2016 e.g. Unlocking Growth Fund – Claylands, Wiveliscombe (if approved), Exeter Science Park, EPIC Centre.

Government reporting requires quarterly breakdown for 16/17, so includes GD2 spend and outputs. Leadership Groups to respond with profiles – estimates have been made with equal quarters where information not available. Some unknowns on GD2 timescales to be resolved as part of business case development. Work is beginning on a number of GD2 business cases, including: Exeter Science Park – Met Office Environmental Futures Campus, Science Park Centre Phase 2; South Yard; Growth Hub; Broadband; EPIC centre.

See separate paper for an update on **Unlocking Growth Fund** prioritisation process.

## Growing Places Fund

### Programme Summary

All live projects are progressing well. DC Homes first claim has been paid. The presence of asbestos has led to delays on site and with the second claim.

There has been a delay in the visit to South Yard to follow up on the EOI submitted. This will now take place on 12<sup>th</sup> January for the majority of attendees.

Ocean Studios outstanding actions regarding financial reporting and management are to be followed up now project build has completed. PCC are continuing to support Ocean Studios on their financial management.

**GPF Projects** - table has been removed as this duplicates the programme summary information.

## **Attachment 1 – Investment Programme Summary**

**LEP PMO 30/11/15**