

## **HOTSW Investment Programmes**

### **Highlight Report No17–27<sup>th</sup> May 2016**

#### **Reporting period**

May 2016

#### **Summary Comments**

May has been a relatively quiet month with low levels of activity by project sponsors and PMO in terms of business cases and funding agreements submitted and in process. It is still expected that we will meet government's requirement to spend all of the 15/16 allocation but having taken advice from DCLG about declaration timescales, we have agreed with SCC as accountable body that we will allow claims to come in late June/early July for processing, to meet with standard local authority financial periods.

The LEP Board agreed the reallocation of GD2 funds to HPTA revenue activities. This was freed up by the additional BIS funding for the growth hub.

PMO will be contacting all GD2 projects during June for up to date timescales on business case submission and an update on expenditure profile.

There is no news as yet regarding the bids submitted to the Highways England Growth and Housing Fund – results expected end of July.

The Growth Deal 3 prioritisation work has continued, with a paper submitted to the May Board meeting and follow ups planned in June. Government is looking for submission in advance of a Ministerial challenge session.

Progress continues on populating the spreadsheets developed for the monitoring framework. There have been some IT issues with automating the process, meaning we will be using Excel and manual entry for the time being. An update on outputs will be provided for the July SIP meeting following completion of this activity.

A process review took place in May and some specific actions identified to improve the process are in the attached paper. More coordination between the Theme lead officers and SCC/PMO would be helpful to ensure funding agreements and claims are checked and signed off in a timely fashion and variations are handled smoothly. MS to set up follow up meeting with Theme Lead officers/SCC.

#### **Growth Deal 1**

Further funding agreements were signed during March to enable claims to be submitted. A number of further agreements are near signing. We still have 23 funding agreements signed with 9 further agreements in process and 3 to be started. These are as follows:

Project	Status
Yeovil Western Corridor	Drafted –In procurement - Final business case approval not yet achieved.

Torbay Western Corridor	Drafted -Final business case approval expected at 13 <sup>th</sup> June LTB
Bideford – Heywood Road Junction	Drafted -Awaiting completion of s106 agreements
Edginswell	Drafted -Funding gap causing delays
Plymouth Northern Corridor	Drafted – Start delayed until 16/17
Plymouth Eastern Corridor	Drafted - 16/17 start
Plymouth Charles Cross	16/17 start
HPTA – Exeter College	Drafted -In process
HPTA – National College for Nuclear	Near completion
Somerset Energy Innovation Centre – Phase 2	Drafted – delays due to ERDF match
HPTA Yeovil College	Delayed – variation expected with 16/17 start
4G Mobile	16/17 start – business case in development

As per previous reports, business case approval has highlighted deviations in outputs from approved business cases, versus the original outputs submitted to government, not always negatively. Once outputs have been compiled from signed funding agreements, a review of outputs against the original targets will be carried out to produce a report for the July SIP Meeting.

As per previous reports, work is also 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.

Some further guidance has now been received from DCLG on requirements for costly surveys v’s estimates/models e.g. for job outputs. This will be circulated to projects. 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 and we have tried to minimise costs where possible.

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 complete for 15/16 starts. Update on 16/17 starts required.	<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 2016/17 grant payment of £56.7m (for GD1 and GD2) has been made. Currently we have headroom of £0.09m. Confirmation of future years profile received from DCLG.	<b>G</b>

## GD1 Programme milestones and activities this period

Activity	Comment	Completion date
Funding agreements signed	Draft funding agreements issued for approved projects (30 – HPTA x 6). 23 agreements signed.	May/June 2016 – later for 16/17 starts
Project business case approval	25 project business cases approved to date (29 projects in total, 4 are 16/17 starts).	16/17 starts only remaining
Claims paid	Claims paid/accrued to a value of £24.21m. SCC schemes utilising capital temporarily	June/July 2016 for 15/16 planned expenditure
Management of Expenditure	SCC Finance and Acct Body team meetings taken place regarding Year End and spend implications. Further meetings programmed in.	Complete

### Other activities in next period Q1 16/17

Activity	Comment	Completion Date
Programme Management Guide produced	In progress. May review to feed in.	Sept 2016
Funding agreements finalised	In progress	June/July 2016
Claims processed	Further claims to be processed to spend remaining £3.0m	June/July 2016 for spend in Q1 2016/17
Monitoring	Logasnet guidance received for submission due early June	14 <sup>th</sup> June deadline

### 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.	Low Risk at May 2016. 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 HOTSW.	Medium Risk. SIP and Board has discussed options for managing this with activities identified.	SIP/LEP Leadership Teams/LTB/PMO

### Budget summary

Government funding is £111.6m and £111.51m has been allocated by the LEP to projects giving £0.09m of headroom. Project review required to update profile. Highlighted figures below require update in conjunction with GD2 profile update.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Forecast spend £m (GD1)	29.33	50.93	23.49	6.65	0.73	0.38	111.51

## Growth Deal 2

Letter received from Government confirming future profile including Growth Deal 2 allocations. Letters confirming 16/17 allocations sent out to projects (subject to business case approval). Work to take place to produce an update on delivery and expenditure timescales for these projects. An outputs update also requested from projects.

The additional £656k funding from government towards Growth Hub will enable a reduction of the £1.7m currently allocated in GD2, freeing up funding for other projects. LEP May SIP/Board decisions enabled £150k funding for HPTA pump priming and £500k funding for Hinkley Supply Chain Enabling Activity.

Business cases expected for submission to appraisers include Broadband, EPIC, South Yard, Unlocking Growth Fund and Exeter Science Park– Environmental Futures Cluster. Exeter Science Park Centre Phase 2 has been submitted and is in appraisal.

As per GD1, no further work has been undertaken on updating quarterly profiles for 16/17 since the previous SIP meeting.

### **Growing Places Fund**

#### **Programme Summary**

DC Homes first claim and second claims have been paid. Variation paperwork is still in progress – some errors identified for rectification causing delays. Demolition complete on site and franchise agreement with Mercure signed. Also finalised agreement with Black & White Hospitality to have a franchise for their Marco Pierre White (MPW) Restaurant under the brand ‘Marco’s New York Italian.’ Due for signing June 2016.

Further work has been undertaken by the PCC team on the South Yard application, following the visit on 12<sup>th</sup> January and the information submitted to the May SIP meeting. Further scenarios regarding interest rates and repayment periods as well as MOD revenue costs are expected as the financial model develops.

Ocean Studios – a “deep dive” meeting took place with PCC on 10<sup>th</sup> May. Attached paper provides details of current position.

Exeter Science Park has yet to submit their final claim for the balance of their loan.

Concise has completed their repayments. Project closure is being initiated. An update report has been provided on current position at end of the LEP loan period. See attached.

All other projects are on track.

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

#### **Attachment 2 – Process Review meeting notes**

#### **Attachment 3 – Concise update**

**LEP PMO28/05/16**