

## HOTSW Investment Programmes

### Highlight Report No18–28<sup>th</sup> June 2016

#### **Reporting period**

June 2016

#### **Summary Comments**

June has been a relatively quiet month with project sponsors, in terms of interaction on live projects and funding agreements finalised. Four Growth Deal 2 business cases have been appraised and approved by SIP, with further in development or submitted for appraisal. It is still expected that we will meet government's requirement to spend all of the 15/16 allocation by end July and SCC have issued a deadline of 13<sup>th</sup> July for claims to be received in order to ensure processing in time for this.

PMO efforts have largely been focussed on the GD3 bid, so other activities planned on profiling for GD1 and GD2 have not taken place. However, analysis of outputs has begun and the attached document provides a work in progress update on outputs v's the original plan.

The Brexit referendum result could have an impact on ESIF match funding for some projects, in terms of amount or timescales, as yet unknown. A review on projects affected for the August SIP is suggested, on the basis more information will be available on DCLG plans.

The Growth Deal 3 prioritisation work has continued, with a paper submitted to the June SIP and Board challenge meetings with the "snapshot" for the Ministerial challenge submitted by the 24<sup>th</sup> June deadline. A date of 13<sup>th</sup> July has now been set for the challenge and further preparation meetings are to take place in advance.

A September meeting is being arranged between PMO, Acct Body and Theme lead officers to implement process improvement. Unfortunately this could not happen sooner due to diaries.

#### **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 now have 25 funding agreements signed with 7 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.
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
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

One project has completed, Exeter Science Park, with the final claim due in early July.

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. **More work is required to reconcile but initial results using signed funding agreements where applicable show:**

Output	Original	Revised (WIP to date)	Difference
Housing Units Completed	2118.76	6428	4309.24
Housing Units Started	737.5	750	12.5
Number of Jobs Connected to Intervention	14089	11170	-2919
Commercial Floorspace Constructed (m2)	43500	45100	1600
Learner Numbers	2924	13129	10205

As per previous reports, work is also required to ensure the outputs requirements for Logasnet 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. This also includes the use of non-standard outputs in business cases and funding agreements which need to be reconciled/aligned.

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). 25 agreements signed.	Summer 2016 – may be 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 £24.8m. SCC schemes utilising capital temporarily.	June/July 2016 for 15/16 planned expenditure

## 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	Summer 2016
Claims processed	Further claims to be processed to spend remaining £3.0m. Claim deadline set of 13 <sup>th</sup> July.	July 2016 for spend in Q1 2016/17
Monitoring	Logasnet June submission carried out	Complete
Management of Expenditure	Regular meetings planned to review expenditure profile within SCC. PMO to continue with forecasting role.	Ongoing

## 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 HOTS.W.	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**

4 business cases now approved – 3 in Unlocking Growth Fund and Exeter Science Park grow on buildings. 1 further business case submitted for appraisal, for EPIC project. Funding agreements in development for approved projects.

No update on expenditure profiles. As per GD1, PMO work required on this before next SIP meeting. However Brexit could be a factor with match funding in some cases, for example Broadband, EPIC and SEIC.

The additional £656k funding from government towards Growth Hub has enabled 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. Revenue business cases for these are in development.

Business cases expected for submission to appraisers in the near future include Broadband, South Yard, Unlocking Growth Fund further projects and Exeter Science Park – Environmental Futures Cluster.

## **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 agreements with Mercure and Black & White Hospitality signed.

Further work has been undertaken by the PCC team on the South Yard application, following the AC/MS meeting with PCC on 13<sup>th</sup> June. Further scenarios regarding interest rates and repayment periods as well as MOD revenue costs have been developed for July SIP.

Ocean Studios – no update following paper to the June SIP.

Exeter Science Park - no update - yet to submit their final claim for the balance of their loan.

Concise – no update - completed repayments. Project closure is being initiated. An annual monitoring report is expected going forward.

Other projects are on track.

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

### **Attachment 2 – Outputs analysis**

**LEP PMO30/06/16**