

## HOTSW Investment Programmes

### Highlight Report No 19 – 27<sup>th</sup> July 2016

#### Reporting period

July 2016

#### Summary Comments

July has been a relatively quiet month with project sponsors, in terms of interaction on live projects and funding agreements finalised. However a number of claims to end June have been received for processing. The emphasis of work has mainly been on the Growth Deal 3 bid and getting updated information from project sponsors to feed into the bid and respond to specific questions from the Ministerial Challenge. This included producing a potential spreadsheet for additional Brexit response funding of £50m.

The entire 15/16 allocation of £43.4m has now been spent/committed and SCC have issued an audit letter confirming this.

A reprofile has been carried out for 16/17. As suspected this shows a substantial slippage on spend for this financial year, due to a number of issues, as explained in the attached appendix. As part of this review, projects that are impacted by ESIF match are highlighted. However we have not received the expected letter from DCLG confirming their plans regarding the implementation of the ESIF programme and funding agreements remain on hold.

#### Growth Deal 1

A number of further agreements are near signing. We now have 27 funding agreements signed with 6 further agreements in process and 2 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
Somerset Energy Innovation Centre – Phase 2	Drafted – delays due to ERDF match
4G Mobile	16/17 start – business case in development

One project has completed, Exeter Science Park, with the final claim in process.

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. Some delays with 16/17 starts.	<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). 27 agreements signed.	Autumn 2016 for remaining 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
Claims paid	Claims paid/accrued to a value of £43.4m. Includes SCC schemes utilising capital temporarily.	Q1 -End Aug.

### Other activities in next period Q2 16/17

Activity	Comment	Completion Date
Programme Management Guide produced	In progress. May review to feed in.	Sept 2016
Funding agreements finalised	In progress	Dec 2016
Claims processed	Outstanding Quarterly claims submitted for Q1	End Aug
Monitoring	Logasnet September submission	Mid-Sept
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	LEP Leadership Teams/LTB/PMO

	substitutes	
Reprofile of LGF budget to meet government requirements for annual spend causes delivery delays for some projects.	Low Risk at July 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 HOTSWS.	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 in progress to update profile. Figures below require update in conjunction with overall Growth Deal 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. 2 further business cases submitted for appraisal, for EPIC project and Claylands UGF. Funding agreements in development for approved projects.

See attached document regarding changes to expenditure profile. This includes the Brexit 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 for approval.

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.

## GD2 Programme Overview

	Comment	RAG
<b>Timescale</b>	Programme is live. Business case approval has begun for 16/17 starts. Some delays with approvals against original timescales.	<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. Currently we have headroom of £0.09m. Confirmation of future years profile received from DCLG.	<b>G</b>

## GD2 Programme milestones and activities this period /next period

Activity	Comment	Completion date
Funding agreements signed	Draft funding agreements in progress for 4 projects.	End 16/17
Project business case approval	4 project business cases approved to date.13 projects, one -UGF with 6 subprojects = 18 total.	16/17
Claims paid	No claims to be submitted until funding agreements signed. However some projects spending "at risk" so claims expected soon afterwards.	Q1 - end Sept

### Growing Places Fund

#### Programme Summary

DC Homes first claim and second claims have been paid. Variation paperwork is still in progress – reissued, yet to be signed. Demolition complete on site and franchise agreements with Mercure and Black & White Hospitality signed. Progress on site slow due to further asbestos but now site cleared and next claim expected.

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 were approved at 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 – Expenditure Reprofile**

**LEP PMO 28/07/16**