

## HOTSW Investment Programmes

### Highlight Report No 20 – 27<sup>th</sup> September 2016

#### Reporting period

August and September 2016

#### Summary Comments

In terms of GD1 and GD2 it has been a relatively quiet period with few claims received and few funding agreements signed. One business case is in the appraisal process.

A theme leads/PMO/Acct Body meeting was held to discuss programme processes and the new claims form developed by SCC. This also discussed prioritisation for GD3 in view of the expected announcement from Government.

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 noted in the attachment.

**In total against a government grant of £56.7m for 16/17 the profile is for a spend of £48.38m. However there is also an underspend from 15/16 to take into account, bringing the cumulative grant at end 2016/17 to £100.11m and cumulative spend to £72.58m, giving a shortfall of £27.53m.**

However, as the sheet illustrates, in 17/18, 18/19 and 19/20 we are predicting expenditure **ahead** of GD1 and 2 profile from government, meaning we will catch up overall by 20/21 and there is no significant “headroom” in the budget. We also need to think about the weighting of GD3 towards the end of the programme period which will further exacerbate this situation. So we are in a position where we need to spend quickly now but will have a shortfall in later years.

See separate paper on opportunities to spend ahead now to enable a better match to our government profile. Obviously the preferential situation would be if government was able to monitor LEP performance across the entire GD period and look at the long-term picture, rather than on an annual spend basis.

#### Growth Deal 1

A number of further agreements are near signing. We now have 28 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. New Stations Fund application.
HPTA – Yeovil College	Drafted – near finalisation

Plymouth Eastern Corridor	Drafted – 16/17 start
Plymouth Charles Cross	16/17 start - Business case in development
Somerset Energy Innovation Centre – Phase 2	Drafted – delays due to ERDF match
4G Mobile	16/17 start – business case in development

Two projects have completed - Exeter Science Park and Huntworth Roundabout, with the final claims in process. SCC has issued a new claim form with a deadline of 11<sup>th</sup> October for completed claims for processing which should assist with reporting and financial management.

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. MS attended a LEP data leads meeting in London where further clarification was promised and a new system is to be introduced in Summer 2017 which should improve reporting processes.

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 new claim forms.

#### Request from PCC Transport

As part of the reprofile exercise, PCC Transport team has identified a shortfall in 16/17 spend of £3.83m on the forecast of £8.47m for Derriford Transport Scheme, reducing this to £4.65m and requesting that this shortfall is moved into 17/18.

This can be reduced by £890k by moving funding between PCC GD1 schemes – Derriford Hospital Interchange and Northern Corridor Junction Improvement Scheme, can spend LEP funding in 16/17 in place of PCC match (£450k and £440k respectively). The PCC match can then be allocated to DTS and spent in 17/18. This would leave a balance of £2.944m on Derriford Transport scheme to be moved into 17/18.

If SIP approves this change, funding agreements would need to be amended to reflect this for all 3 projects.

#### **GD1 Programme Overview**

	<b>Comment</b>	<b>RAG</b>
<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). 28 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
Monitoring	Logasnet September Submission	14/9/16
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 Q3 16/17

Activity	Comment	Completion Date
Programme Management Guide produced	In progress. May review to feed in.	Dec 2016
Funding agreements finalised	In progress	Dec 2016
Claims processed	Claims expected from all projects early October for processing	End Oct
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 Oct 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.	High 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. A further £2.6m has been moved from GD2 for SEIC giving the figures below.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Forecast spend £m (GD1)	24.21	41.20	35.64	11.61	1.07	0.38	114.11

## **Growth Deal 2**

6 business cases now approved – 4 in Unlocking Growth Fund (Claylands, Yeovil Innovation Centre, Highbridge, Wiveliscombe), EPIC Project and Exeter Science Park Grow On buildings. Funding agreements are in development for approved projects.

See attached document regarding changes to expenditure profile. No update regarding ERDF match dependencies.

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 further approval following discussion at the August SIP meeting.

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**

	<b>Comment</b>	<b>RAG</b>
<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 no headroom in GD2 allocation. Confirmation of future years profile received from DCLG.	<b>G</b>

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

<b>Activity</b>	<b>Comment</b>	<b>Completion date</b>
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

### **Budget Summary**

The original GD2 allocation has reduced by £2.6m moved to GD1 for SEIC, giving the profile below. There is currently no headroom in GD2.

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>Total</b>
Forecast spend £m (GD2)	0	7.18	23.51	24.07	7.90	0	62.66

## **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. Further to a launch event, further delays to construction of around 3 weeks due to archaeological findings.

The business case for South Yard (now Oceansgate) is out for appraisal for GD2 and GPF. Expected at November SIP meeting.

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 complete. An annual monitoring report will be undertaken going forward.

Other projects are on track.

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

### **Attachment 2 – Expenditure reprofile**

### **Attachment 3 – Options to increase 16/17 expenditure**

**LEP PMO 28/09/16**