

## **HOTSW Investment Programmes**

### **Highlight Report No 21 – 31<sup>st</sup> October 2016**

#### **Reporting period**

October 2016

#### **Summary Comments**

In terms of GD1 and GD2 it has been a relatively quiet period apart from the claims process with multiple claims received and processed. Three business cases have been in the appraisal process for presentation at the November SIP.

GD3 prioritisation guidance and an updated spreadsheet for government has been provided. The expected announcement of our allocation has not taken place during October, so tight timescales have meant the “refresh” process has had to be shortened and simplified, not allowing for new projects and just ensuring the list is as up to date as possible, with each theme consulting with the group to ensure transparency.

Options paper work on how we manage the profile has continued. The GD3 profile will need to be factored in. Currently, 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 paid. PMO is working with SCC to clarify the updated claims information from SCC, which is currently showing that we have spent only around £4m this year.

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.

### 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). 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. Clarification in progress.	End Nov, then quarterly

### 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
Management of Expenditure	Regular meetings planned to review expenditure	Ongoing

	profile within SCC. PMO to continue with forecasting role.	
--	--	--

### 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.

3 business cases are coming to this November SIP – Broadband, Oceansgate and Unlocking Growth Fund – Family Business Growth Centre.

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 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 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

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

### 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.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
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 and the third claim is in processing. Variation paperwork is still in progress, yet to be signed. Further to a launch event, further delays to construction of around 3 weeks due to archaeological findings. Construction is now starting in earnest.

Ocean Studios – no update.

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

Other projects are on track or complete.

#### Attachment 1 – Investment Programme Summary

#### Attachment 2 – Options to increase 16/17 expenditure

LEP PMO 31/10/16