

## **HOTSW Investment Programmes**

### **Highlight Report No 22 – 3<sup>rd</sup> January 2017**

#### **Reporting period**

November-December 2016

#### **Summary Comments**

Business case approvals took place at November SIP for Growth Deal and Growing Places Funding as well as at the December LTB.

Further work on GD3 prioritisation took place, including at the November SIP meeting and updated information was provided to government. The expected announcement from Government has been delayed with nothing as yet at today's date.

The "annual conversation" took place with CLoG personnel. This appeared to go well. We have not yet received the formal notes so any actions not yet confirmed. The focus of the discussion appeared to be less on spend and more on outputs and outcomes than the previous year. However the pressure to spend to profile is likely to remain going forward.

Options paper work on how we manage the profile has continued. The GD3 profile will need to be factored in when projects are confirmed. Currently, we are in a position where we need to spend quickly now but will have a shortfall in later years.

Further work has taken place on reporting during November prior to the Annual conversation and December to complete our quarterly logasnet return. The November spreadsheet update showed a further slowing of the expenditure profile, although not a significant change to the profile presented at the October SIP meeting.

#### **Growth Deal 1**

A number of further agreements are near signing. We now have 29 funding agreements signed with 5 further agreements in process and 2 to be started. These are as follows:

Project	Status
Yeovil Western Corridor	Drafted – to be signed early Jan 17. 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 due for decision in April 2017.
Plymouth Eastern Corridor	Drafted –to be signed early Jan 17– 16/17 start
Plymouth Charles Cross	Start delayed - 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 – expected for Feb or Mar SIP meeting. Will be a procurement process.
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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.

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.	A
<b>Scope and objectives</b>	Programme is within the scope and objectives agreed by LEP Board and government	G
<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.	G

### 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). 29 agreements signed.	Spring 2017 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 with SCC.	Quarterly

### Other activities in next period Q4 16/17

Activity	Comment	Completion Date
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Programme Management Guide produced	In progress. May review to feed in.	Mar 2017
Funding agreements finalised	In progress	Jan 2017
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 HOTS.W.	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

9 business cases now approved in total – 4 in Unlocking Growth Fund (Claylands, Yeovil Innovation Centre, Highbridge, Wiveliscombe), EPIC Project and Exeter Science Park Grow On buildings.

3 of these are business cases approved subject to conditions and gateways at the November SIP - Broadband, Oceansgate and Unlocking Growth Fund – Family Business Growth Centre.

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.

Projects still awaiting approval in GD2 are below:

Project	Status
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Forecast spend £m (GD2)	0	7.18	23.51	24.07	7.90	0	62.66
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## **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.

Broadband – GPF funding agreement signed Dec 2016 and project mobilisation beginning Jan 2017

South Yard/Oceansgate – GPF agreement in development for signing Q1 2017.

Other projects are on track or complete.

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

**LEP PMO 03/01/2017**