

HOTSW Investment Programmes

Highlight Report No 29 – 31st July 2017

Reporting period

July 2017

Summary Comments

One business case was approved at the July SIP meeting – the first GD3 project, South Devon College. A number of funding agreements are being finalised and signed. The July SIP discussed Tiverton EUE based on an approval of principle by the LTB in June but no allocation of funding and this led to a Board decision to allocate £1.5m to the scheme on the basis that it needs to be progressed asap and there was the ability to use GPF to fund the scheme if potential GD savings on GD2 Jn 25 project were not realised.

Announcement of decision on New Stations Fund on 28th July means project sponsors will need to confirm plans for 2 station projects and potentially enable reallocation of funding.

Further GD3 projects are beginning work on business cases and these are expected to start coming in for appraisal over the summer. Constructing Futures is in appraisal, aiming at the September SIP for approval. An update is being presented to the August meeting on the GD1 4G Mobile project with a business case in development for the GD2 Exeter Science Park Open Innovation Building project.

The profile has been updated to reflect Q1 17/18 claims and forecasts from projects received. Not all projects have submitted claims and forecasts, so the latest summary based on work in progress is provided in the table on Page 7 of this report. Some previous accruals have been reversed so the total to end 16/17 has reduced to reflect this.

Work on the database is completed and testing is underway with the latest data being added and the June Logasnet entry has been completed. The attached programme summary now has GD3 projects. We are now reporting on Enterprise Zones on Logasnet so will be adding to future Programme Summary output reports when set up.

Growth Deals

Business cases and funding agreements

The business cases for South Devon College and Tiverton EUE have been agreed. Also to note that subsequent to July SIP, conditions for the HPTA revenue project were approved by email. Business cases expected for submission to appraisers in the near future include Exeter Science Park– Open Innovation Building, Constructing Futures – both now expected for the September SIP. This meeting will also cover resubmissions for the UGF projects requiring further development.

12 GD2 business cases are now approved in total – 5 in Unlocking Growth Fund (Claylands, Yeovil Innovation Centre, Highbridge, Wiveliscombe, Wells Enterprise Centre), EPIC Project, Oceansgate,

Broadband, Tiverton EUE and Exeter Science Park Grow On buildings. 4G Mobile and Devonport UGF are approved subject to further review in Autumn 2017. 1 GD3 business case approved.

All GD1 funding agreements are signed with the exception of 4, 2 of these are drafted and 2 to be started. 6 GD2 agreements (including Revenue projects) are signed with others in progress/near signing. Outstanding GD1 and GD2 funding agreements are as follows:

| Project | Funding Agreement Status |
|--|--|
| GD1 | |
| Bideford – Heywood Road Junction | Drafted -Awaiting completion of s106 agreements. Aim to get signed early-mid 17/18. |
| Edginswell | Drafted -Funding gap causing delays. New Stations Fund decision negative. |
| Plymouth Charles Cross | Business case in development |
| 4G Mobile | First stage business case approved. Funding agreement to be developed. Further business case review Autumn 2017. |
| GD2 | |
| EPIC | Signed or near signed |
| Oceansgate | In development. |
| Unlocking Growth Fund | Majority allocated to approved projects. Highbridge, signed. Developed – Yeovil IC. Further funding agreements in development and business cases being updated for approval. |
| Exeter Science Park – Open innovation building | Business case in development for approval |
| J25 M5 Henlade | Now signed – Programme Entry agreement. Funding amounts may change. |
| North Plymouth – Forder Valley Link Road | Funding agreement will not be with LEP as removed from LEP's profile from govt. |
| Tiverton EUE | LEP Board approved funding. Funding agreement in development. |

Delivery

Seven projects have completed and into monitoring phase- Exeter Science Park GD1, Bicton HPTA, Plymouth College STEM centre, Somerset College ACE, Derriford Hospital, Huntworth Roundabout and A379 Junction with the final claims paid.

A number of GD1 projects in various stages of completion have spent all their GD funds. These are Bridge Road, Deep Lane, Bridgwater College Hinkley skills capital, South Devon HPTA, Plymouth Science Park. A379 Junction has completed on the ground with financial completion due next quarter.

Claims submitted in June 2017 have been processed and the totals in the table below accordingly.

Monitoring will continue as per the projects' Monitoring and Evaluation Plans.

Programme Overview

| | Comment | RAG |
|-----------------------------|--|-----|
| Timescale | Programme is live. Business case approval is complete for all but 3 GD1 projects and 5 GD2 projects (inc 3 UGF). Business cases in development for 9 GD3 projects, 1 approved. | A |
| Scope and objectives | Programme is within the scope and objectives agreed by LEP Board and government | G |
| Budget | Currently £370k approx. headroom from 3 DCC GD1 transport projects. | G |

Programme milestones and activities this period

| Activity | Comment | Completion date |
|--------------------------------|---|--------------------------------|
| Funding agreements signed | 32 funding agreements signed. Others in progress or outstanding as above. | Spring/Summer 2017 and ongoing |
| Project business case approval | GD1/2 2 projects requiring SIP approval plus 2 requiring final approval. 4 needing LTB final approval. 9 GD3 projects requiring business cases to be developed. | Spring/Summer 2017 and ongoing |
| Claims paid | Claims paid to end 16/17 including accruals estimated at £60.09m. Adjusted total based on actuals is £55m. | Quarterly |
| Monitoring and Evaluation | Data gathering for Enterprise Zone 1 st Aug entry. | Complete |

Other activities in next period Q2 17/18

| Activity | Comment | Completion Date |
|------------------------------------|---|-----------------|
| Monitoring and Evaluation | Chasing projects for monitoring reports. Logasnet window mid September. | September 2017 |
| Funding agreements to be finalised | In progress | Ongoing |
| 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. SIP, Leadership Groups and LTB to manage slippage across their portfolio of projects and/or bring forward reserve projects from approved pipeline as substitutes | SIP/Leadership Groups /LTB/ PMO |
| Reprofile of LGF budget to meet government requirements for annual spend causes delivery delays for some projects. | Low risk. SIP has discussed options for managing this with activities identified, leading to future Board decision as/when necessary. | SIP/LEP Leadership Groups/LTB/PMO |

Budget summary

Government funding of £197.83m available (not including Forder Valley Link Road) and £197.29m has been allocated by the LEP to projects giving £0.55m of headroom. However,

this is subject to change with a couple of outstanding queries from end 16/17. £260k approx. has come from completed projects spending slightly under budget and some from rounding slightly under original allocation. All the potential underspend has come from GD1 projects – GD2 and GD3 projects are currently on profile. The budget is summarised below and reflects the latest work in progress on expenditure profile from project sponsors.

This shows a slippage into 18/19 for projects and from 17/18 but also from 19/20 with some projects now forecasting to deliver ahead of original schedule. The majority of GD3 projects have not yet provided updates.

Subject to final reconciliation for end 16/17

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Total |
|-------------------------|---------|---------|---------|---------|---------|---------|---|
| Forecast spend £m (GD1) | 24.42 | 35.01 | 36.35 | 17.53 | 4.57 | 0.29 | 113.84 |
| Forecast spend £m (GD2) | 0 | 0.86 | 11.67 | 26.1 | 1.62 | 0 | 40.1 Need to clarify Growth Hub and other revenue projects |
| Forecast Spend £m (GD3) | 0 | 0 | 11.68 | 17.65 | 10.82 | 3.41 | 43.57 – need updated profiles from projects |

Growing Places Fund

Programme Summary

DC Homes – 8 claims now paid. Variation paperwork is still in progress, delayed due to agreement required on sharing of legal costs. Collateral Warranties have been received a conference call has taken place with actions identified to finalise these. Construction is well underway.

Ocean Studios – no update -funding agreement variation and PCC repayment of loan agreement by Dec 2017 put into place. A solution is now in place to ensure ongoing support for the studios.

Broadband – no update-GPF funding agreement signed Dec 2016 and project mobilisation has begun.

South Yard/Oceansgate – no update - draft GPF agreement with PCC lawyers for review and signing by end Q2 2017/18.

Other projects are on track or complete.

EAN (Enterprise Advisors Network)

Progress to end July will be available for next SIP.

With regard to new programme, current contract ends on 31 August and new contract is intended to go live on 1 Sept. The CEC offer of £75k has been accepted and the details of the required £75k match funding are currently being finalised with each of the LEPs contributing local authorities, including a contribution from the Peninsular Youth Deal budget. Contract will be extended with CSW to cover the next operational year and issued during August 2017.

Attachment 1 – Investment Programme Summary

Attachment 2 – Amber project reviews

LEP PMO 31/07/2017