

3rd June 2019

## LGF Capital Programme 2018/19 Outturn Position

### Purpose of Report

This paper provides an update on the 2018/19 LGF outturn position and the impact on the 2019/20 LGF programme. It also seeks approval to accept the 2019/20 LHG grant funding.

### Thematic Priority

Secure investment in infrastructure where it will do most to support growth

### Freedom of Information and Schedule 12A of the Local Government Act 1972

This paper will be made available under the MCA publication scheme.

### Recommendations

1. MCA are asked to consider and note the 2018/19 LGF outturn position and the impact on the 2019/20 LGF programme.
2. MCA are asked to approve accepting the LGF grant of £29.9m for 2019/20

## 1. Introduction

- 1.1 The 11<sup>th</sup> June meeting of the MCA confirmed the budget for 2018/19 LGF programme of £42.47m with £8.66m of the 2017/18 allocation available to carry forward if this was required as additional to the £42.47m.
- 1.2 The 25<sup>th</sup> March 2019 MCA approved the LGF capital programme for 2019/20 with total expected available funding of £60.5m with committed project spend of £34.5m and potential headroom of £26m available to fund schemes from the reserve pipeline.

## 2. Proposal and justification

- 2.1 **2018/19 LGF spend** - The outturn position has now been confirmed as £45,541,103 (£45.54m). This is 107% of the in-year LGF allocation and means that for a third year running SCR MCA have achieved 100% spend of our expected allocation.

This means that we have utilised £3.07m of the additional £8.66m, hence £5.59m remains available to spend in 2019/20.

As a result of achieving 100% spend we have now received this year's grant offer which is

100% of our expected allocation.

MCA are asked to approve accepting the LGF grant of £29.9m for 2019/20

**2.2** LGF outturn in 2018/19 delivered the following outputs:

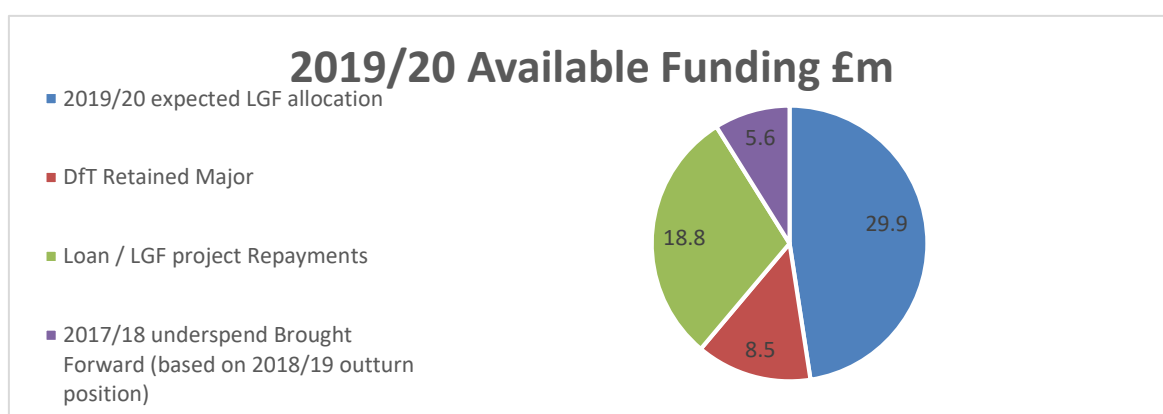
- 4,465 jobs created
- 2,262 new learners assisted
- 950 housing units built
- £127.6m of non-LGF leverage

**2.3** As expected with a capital programme of this scale, the outturn spend for some committed schemes in 2018/19 differed to the approved spend when the budget was set in March 2018. **Appendix 1** sets out the individual projects but in summary the changes to schemes during 2018/19 are grouped into 8 categories shown below;

| Programme Categories   | No of projects | £m at outturn | £m change in year |
|--|----------------|---------------|-------------------|
| In year spend reduced  | 7              | 8.84          | -15.22            |
| Projects withdrawn from the programme in year  | 2              | 0.00          | -1.66             |
| Spend accelerated from 2018/19 to 2017/18 at year end (after the budget was set)     | 2              | 0.09          | -0.60             |
| New scheme approved in year  | 8              | 21.89         | 21.89             |
| Spend accelerated from 2019/20   | 5              | 8.49          | 1.89              |
| Correction of accruals / claims and spend planned for 2017/18 but falling in 2018/19 | 4              | 0.55          | 0.55              |
| In year spend in line with profile approved March 2018                               | 5              | 5.68          | 0.00              |
| Projects approved in year but not progressed to delivery                             | 0              | 0.00          | 0.00              |
| <b>Total</b>   | <b>33</b>      | <b>45.54</b>  | <b>6.85</b>       |

**2.4 2019/20**

The total expected available funding for 2019 /20 is now £62.8m and is made up of the following elements.



As referenced in section 2.1 this includes:

- A new grant offer of £29.9m from MHCLG
- The £5.66m of funding carried forward from 2017/18.
- £8.5m allocation, which is currently subject to the retained major scheme being approved

- £18.8m loan repayments, broken down in detail in section 2.5 below.

**2.5** The £18.8m anticipated loan LGF project repayment is broken down as follows:

| Element                    | £m            | Status / Comments   |
|----------------------------|---------------|---|
| Capital receipt            | £2.0          | Funding received  |
| FFE Loan Funding           | £0.5          | Funding received  |
| FY Risk Capital            | £0.32         | Funding received  |
| Hughes Armstrong           | £0.10         | Payment plan agreed, £20k received, payments due in quarterly instalments throughout the year, second instalment now due. |
| J36 Strategic acquisitions | £0.89         | Subject to sales receipt in year  |
| JESSICA loan               | £15.00        | Full value expected to be repaid 29 July 2019   |
| <b>Total</b>               | <b>£18.81</b> |   |

## **2.6 2019/20**

The project approval already in place for 2019/20 mean that we start this year with commitments of £36.7m, project profiles are set out in **Appendix 2**. The approvals presented today (if agreed) will change this to £41.4m.

**2.7** The remaining headroom in year at outturn is therefore £26.1m; however, it should be noted that £8.5m of this is ringfenced for the DfT retained major project hence £17.6m is available in year to fund other schemes.

Approvals presented this meeting reduce the headroom in year to £12.9m, and in total to £36.9m (excluding the retained major project).

## **2.8 The Project Pipeline**

The current pipeline of projects totals £110m from 25 projects, £39.4m of which are seeking funding within 2019/20. A summary of the project pipeline and indicative approval dates is included in **Appendix 3**.

Based on the current expected approval dates the 2019/20 programme is likely to be fully committed by the July MCA meeting and the full programme shortly after. This is highly likely to change as the projects progress through the assurance process and a record of planned approvals will be updated regularly.

Discussions are ongoing with MHCLG in relation to successor funding to ensure we can continue to deliver the projects in the pipeline beyond the current LGF programme, however until this is confirmed we also need to be mindful that we are managing the end of the current programme in March 2021.

**2.9** The graphs at **Appendix 4** shows the overall performance of the LGF programme, the programme is currently over programmed (but not over committed) by £22m. While this provides a considerable buffer for schemes not progressing to delivery there is a growing concern from promoters that when their schemes are ready to deliver the funding will have run out. This concern is further compounded by the potential of new schemes to enter the programme (LGF and BIF).

## **3. Consideration of alternative approaches**

**3.1** This paper is not an options paper but presents the outturn position of the 2018/19 financial year and impact on 2019/20.

## **4. Implications**

- 4.1 **Financial** – This paper set out the financial position of the LGF Capital Programme.
- 4.2 **Legal** – There are no direct legal implications as a result of this paper.
- 4.3 **Risk Management** – The current risks affecting over programming and potential over commitment is set out in section 2.7. The current level of over programming is £22m, it may be possible to mitigate this risk by use of successor funding when known.
- 4.4 **Equality, Diversity and Social Inclusion** - None as a direct result of this paper.

## 5. Communications

- 5.1 The outturn position reported in this paper has been communicated to Local Authority Chief Executives and Directors of finance and LEP Board prior to publication.

## 6. Appendices/Annexes

- 6.1 Appendix 1 – 2018/19 project spend and changes in year since the budget was set
- Appendix 2 – Approved and Committed Projects
- Appendix 3 - Project Pipeline and indicative approval dates
- Appendix 4 - LGF Programme Graphs – 2018/19 outturn position

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West S1 2BQ

Other sources and references: