

**9<sup>th</sup> September 2019**

**Local Growth Funding (LGF) and Programme Demand**

**Purpose of Report**

This paper provides LEP Board with an overview of the current LFG programme commitments and the scale of projects in the over-programmed pipeline.

**Thematic Priority**

Cross cutting theme.

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

The paper will be available under the SCR Publication Scheme

**Recommendations**

LEP Board are asked to

1. Consider the scale of the pipeline and discuss options to address the potential over-programming position.
2. Note the contents of the Q1 2019/20 DELTA submission.

**1. Introduction**

- 1.1** LGF is a 6 year, £360m funding programme secured through three rounds of Local Growth Fund bids. 2019/20 is the fifth and penultimate year of funding. Some investment made in the early years of the programme have now repaid loan funding back to the programme which has increased the total value of available programme funding to £378m.
- 1.2** In the first four years of delivery £239m has been spent (defrayed). A further £49m is committed to projects currently in contract and a further £17m has been approved for projects which are in the process of satisfying contract conditions. The total combined value of approved projects and spend to date is therefore £305m.
- 1.3** The LGF grant allocation includes a ringfenced amount of £40.5m for a major transport project which is retained for separate approval by the DfT, this funding cannot be utilised for other projects.

1.4 The level of funding remaining available for LGF projects across all thematic areas (the programme headroom) is now £32.4m. The programme spend and funding profile is set out in **Appendix A**.

1.5 All funding needs to be fully spend (defrayed) by 31<sup>st</sup> March 2021.

## 2. Proposal and justification

2.1 When the 2019/20 budget was approved by the MCA in March 2019 the pipeline of projects indicated that there was potential over-programming of up to £24.4m.

As projects have developed some cost estimates have increased and a number of new projects have come forward seeking funding. As a result of these changes the current combined value of project in the pipeline (including the retained major) has increase to £111.5m and therefore the potential over-programming has increased to £38.1m.

2.2 During the 2017/18 financial year an independent audit was undertaken of all projects seeking an LGF contribution greater than £1m. A series of milestones, as set by the scheme promoters, were agreed by the LEP Board in September 2018. Projects not meeting these milestones would initially have the funding allocations “un-ringfenced”. If a project is no longer able to complete delivery within the LGF funding timescales funding may ultimately be decommitted from this programme.

2.3 In the months following the LEP review the scale and pace of project approvals increased significantly and many of the projects have now entered into contract, some projects however remain in the pipeline. All projects in the pipeline have missed some of the agreed milestones and therefore **all** projects are now in a competitive programme.

2.4 The current profile of project approvals and the remaining pipeline is set out below by theme;

Executive Board	Approved	Pipeline	Total	Comments
<b>Business Growth</b>	£46m	£21.1m	£67.1m	This is £15.1m above the notional allocation and it is unlikely that all projects will land in the region or be able to complete works by 31 <sup>st</sup> March 2021.
<b>Housing</b>	£10.0m	£0.21m	£10.21m	£4.05m of the £10m housing funding is currently committed to schemes, the remaining £6m is held in the housing fund for pipeline schemes.
<b>Infrastructure</b>	£197.2m	£23.1m	£220.3m	This includes several highways schemes designed to unlock development space for employment and housing
<b>Skills and Employment</b>	£18.3m	£17.5m	£35.8m	This is £7.8m above the notional allocation and it is unlike that all projects will be able to complete works by 31 <sup>st</sup> March 2021.
<b>Transport</b>	£28.5m	£49m	£77.5m	This includes the £40.5m retained major transport project.
<b>Total</b>	<b>£300.0m</b>	<b>£110.9m</b>	<b>£410.9m</b>	

This shows that the total request for project funding is £411 m. There is a £5.1m corporate commitment which covers the costs associated with carrying out the

accountable body functions for the LGF programme. The total spend requirement is therefore £416m.

- 2.5 It will not be possible to approve all the projects currently seeking funding based on the current programme, and continuing to approve schemes as they become ready, the programme could be fully committed by the November cycle, although this full commitment point has slipped throughout the year so far.
- 2.6 There is no preferred option recommended in this paper as the purpose of the paper is to engage members in a discussion about the potential approaches and options to explore. Section 3 has some high-level options which could be considered.
- 2.7 LEP Board are asked to consider the scale of the pipeline and discuss options to address the potential over-programming position.
- 2.8 LEP Board members were advised at the July 2019 meeting of the MCA that the Q1 2019/20 Delta Dashboard submission date was out of sequence with the LEP board meetings and that the submission would be made to meet the MHCLG reporting deadline of the 23<sup>rd</sup> August 2019.
- 2.9 The dashboard was updated and submitted in line with the August deadline and a copy is attached at **Appendix B**.
- 2.10 Reported outputs for Q1 were limited to jobs created, with a total of 1,954 reported for the quarter. This figure included 1,071 jobs achieved prior to the quarter, but not previously reported, and 883 jobs created during Q1 itself. These job outputs represent an achievement of 36% of the 5,356 annual target for job creation.

The amount of LGF spend outturn in Q1 was relatively small, with only £15m claimed, representing circa 3% of the projected spend for the year, and 5% of the 2019/20 LGF annual allocation. This includes £130k revenue spend for the Growth Hub.

### 3. Consideration of alternative approaches

#### Options

- 3.1 If no further action is taken the programme will consider projects for funding approval as they are ready rather than based on any other priorities.
- 3.2 Scheme promoters could be asked to self-evaluate the deliverability of schemes within the LGF funded window and take out of the programme any schemes unable to achieve this deadline.

This option was used in 2017/18 and did result in some schemes being withdrawn but did not fully resolve the programme slippage.

- 3.3 Pause the process of taking decisions on scheme approvals until SCR undertake a full review of all projects in the pipeline.

An independent full review of projects was undertaken in 2018/19 and was successful in speeding up the rate of projects progressing to delivery, however some projects missed their delivery milestones and are now in the competitive element of the programme.

Pausing the programme is likely to have a negative impact on the ability to achieve the required spend profiles.

- 3.4 LEP board re-evaluate the strategic case of projects and prioritise schemes for consideration. This could delay consideration of schemes ready to progress and in turn have a negative impact on the planned spend profiles.

- 3.5** Find additional resource to fund more of the pipeline i.e. consider decommitting the uncontracted element of the housing fund, the use the legacy Growing Places Funding (GPF) or decommitting funding from projects which have not been able to satisfy pre-contract conditions and progress to the delivery phase.

This would ensure funding is being utilised efficiently and identify any schemes which may not be able to complete spend before the March 2021 deadline.

## **4. Implications**

### **4.1 Financial**

This paper explores the financial implications of the LGF programme in the approach to the final year of delivery.

£40.5m of the remaining pipeline is funded via the DfT retained majors programme which is ringfenced for this project only, hence this is not included in the calculation of remaining programme headroom of £32.4m.

The £5.1m corporate commitment which covers the costs associated with carrying out the accountable body functions for the LGF programme is a mandatory requirement and equates to 1.3% of the total programme.

### **4.2 Legal**

None as a result of this paper, however legal implications will need to be considered for any recommitment scenarios.

### **4.3 Risk Management**

This paper presents the risk of over-programming of the Local Growth Funding.

### **4.4 Equality, Diversity and Social Inclusion**

## **5. Communications**

- 5.1** Statutory Officers have temporarily closed the open call for new schemes until a decision has been reached on the process for resolving the over-programming. LEP Board may wish to reserve the right to accept schemes in the case of an exceptional inward investment application.

## **6. Appendices/Annexes**

- 6.1** Appendix A – LGF Programme Spend and Funding Profile  
Appendix B - Delta Dashboard

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

Other sources and references: