

**TRANSPORT BOARD**

**25TH OCTOBER 2019**

**LOCAL GROWTH FUNDING UPDATE**

**Purpose of Report**

This paper provides members with an update relating to the current LFG programme commitments and the scale of projects in the over-programmed pipeline

**Thematic Priority**

Cross cutting theme

**Freedom of Information**

The paper will be available under the SCR Publication Scheme

**Recommendations**

Members are asked to

1. Consider and note the scale of the pipeline and actions in progress to address the over-programming position.
2. Note the need to maximise claims at Q2 ahead of the annual performance review.

**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 £19m 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 £307m.
- 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 £30.2m.
- 1.5** All funding needs to be fully spent (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 projects in the pipeline (including the retained major) has increased to £120.5m this equates to £80m excluding the retained major and therefore the potential over-programming has now increased to £49.8m.

This calculation includes a number of new inward investment projects.

- 2.2 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	£42.5m	£88.5m	This is £36.5m 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. This also includes the latest inward investment schemes which have yet to be accepted to the programme.
<b>Housing</b>	£10.0m	£1.35m	£11.35m	£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>	£199.3m	£20.1m	£219.4m	This includes several highways schemes designed to unlock development space for employment and housing
<b>Skills and Employment</b>	£18.3m	£7.5m	£25.8m	This is £2.2m below 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>£302.1m</b>	<b>£120.5m</b>	<b>£422.6m</b>	

This shows that the total request for project funding is £423 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 £428m.

- 2.3 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 January cycle, although this full commitment point has slipped throughout the year so far.

- 2.4** The LEP Board in September considered a range of options to address the over programming position and agreed to 3 actions;
1. Scheme promoters to self-evaluate the deliverability of schemes within the funded window (to March 2021) and nominate schemes to defer or remove from the programme
  2. SCR to seek opportunities to find additional resource (e.g. consider decommitting uncontracted elements from the programme, legacy Growing Places Funding, housing fund allocations etc) and
  3. Undertake a LEP prioritisation process following the actions 1 and 2 if there remains an over programmed position

- 2.5** The outcomes of actions 1 and 2 have been requested to report back to the LEP Board in November in order to facilitate this the self-evaluation action was discussed with Directors of Finance and Economic Development Directors at their meeting on 18<sup>th</sup> September. Directors were asked to coordinate a response with their delivery teams and to nominate schemes to defer or remove from the LGF Programme.

This evaluation is to look at;

- all projects in the pipeline but not yet approved
- all projects approved but not yet in contract and
- all projects in delivery but likely to underclaim.

A list of projects in the pipeline and not yet in contract has been shared with all Authorities along with a self-evaluation form. The Programme and performance unit have also contacted business project promoters and project promoters where there is a potential for the scheme to underclaim.

- 2.6** A deadline of 4<sup>th</sup> October for the self-evaluation to be completed was set as this aligns with the Q2 LGF project return deadline, early indications show 2 projects have already confirmed that they will defer to a later funding programme but the pipeline has increased from its previous position.

- 2.7** A copy of the current project list is attached at **Appendix A**.

- 2.8** LGF claims at Q1 were only £1.4m despite starting the year with £34.5m of committed spend, this equates to 3.9% of the minimum required in year spend (£35.5m) and 2% of the current expected in year spend (£68m).

The annual performance review takes place before the Q3 returns are received, hence it is important that Q2 claims are maximised otherwise the delivery rating for the region will again be impacted and monthly claims should also be considered for projects in delivery.

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

- 3.1** The LEP meeting in September also considered the following options which were discussed but not agreed

- 3.2**
- 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.
  - 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.

## 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 £30.2m.

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 de-commitment 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 –Project lists

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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: