

4<sup>th</sup> November 2019

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

**Purpose of Report**

This paper provides the LEP Board with an update on the review of the current LGF programme commitments and the scale of projects in the over-programmed pipeline

**Thematic Priority**

Cross cutting - financial

**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 review of the LGF programme and current pipeline position following the self-assessment,
2. Agree the steps to be undertaken, including:
  - Utilisation of the £8m Growing Places Fund to increase the available headroom for the pipeline
  - Identify and seek further scheme withdrawal for schemes that cannot meet the conditions of the funding approval
  - Undertake a prioritisation of the pipeline

**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** The programme position to date is:

- £239m has been spent (defrayed)
- £51m is committed to projects currently in contract
- £24.8m has been approved for projects which are in the process of satisfying contract conditions

This totals £314.8m

- 1.3** The LGF total of £378m includes a ringfenced amount of £40.1m for a major transport project which is retained for separate approval by the DfT, this funding cannot be utilised for other projects. Taking this and the £314.8m commitment this gives a total of £354.9m
- 1.4** The level of funding remaining available for LGF projects across all thematic areas (the programme headroom) is now £23.1m.
- 1.5** Board Members are asked to note a further £22.5m is scheduled, subject to appraisal, for approval at the November MCA. If approved, this would give a total spend or committed position of £377.4m thus reducing the available headroom to £0.6m.
- 1.6** 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
- 1.7** In response to action 1 scheme promoters were asked to complete and return self-evaluations for:
- projects in the pipeline but not yet approved
  - projects approved but not yet in contract and
  - projects in delivery but likely to underclaim

An initial deadline of 4<sup>th</sup> October was set for return of the completed self-evaluations to align with the Q2 LGF project returns, this was extended to accommodate outstanding returns and updated requests for self-evaluations. The outcome of actions 1 and 2 are included within this paper, however 11 of the self-evaluations are pending receipt and on that basis the figures reported are subject to slight variance. Further updates will be provided to Members during the meeting.

## **2. Proposal and justification**

**2.1** Early review of the self-evaluations indicates:

- 2 projects in the pipeline at a combined value of £3.088m have voluntarily deferred to a future funding programme and 1 project has reduced its ask by £150k, however 2 projects have increased their request by £335k
- 1 Project approved but not in contract has requested to be returned to the pipeline - £663,800
- 2 Projects in delivery have reported possible reductions in costs of £1.5m.

The impact of these changes, if realised will result in up to £5.18m being made available to pipeline projects.

**2.2** 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.

The current status of the self-evaluation indicates the current combined value of projects in the pipeline (including the retained major) is £120.4m excluding the retained major and therefore the potential over-programming has now increased to £61.1m.

**2.3** A risk rating has been applied to the self-evaluations received to date based on the reported spend and deliverability, in particular:

- whether the annual spend profile is at risk
- whether all the LGF can be defrayed by Mar-21
- whether works are ready to commence
- whether the completion of LGF relevant works by Mar-21 may be affected

A prioritisation list has been compiled based on the applied risk ratings. These have been risk adjusted where developments have occurred post submission of the self-evaluation.

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

**3.1** There is also the option to consider schemes with funding approval where there is a strong likelihood that the conditions associated with the funding approval cannot be met. One scheme of c£4m in value is already demonstrating it is unable to meet the conditions of the grant award and there is potentially a further scheme that is indicating it is no longer viable without an increased grant. If these funding approvals were formally withdrawn at the MCA this would free up additional funding for the pipeline.

**3.2** The LEP has an additional £8m of repaid legacy Growing Places Funding, which if allocated to this programme would increase the available headroom to support further pipeline schemes.

**3.3** The development of a prioritised list was discounted, pending undertaking the self-assessment. As the self-assessment exercise is largely complete and shows that whilst some funding has been released following the withdrawal or reduction in costs of some schemes this has been counterbalanced by additional costs being identified in other schemes and dormant schemes advising they will be bringing forward a business case.

### **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 £23.1m. (or £0.6m subject to the decision of the MCA regarding scheme approvals).

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

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**

None

### **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** None

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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: