27th January 2020

LGF PROGRAMME MONOTORING UPDATE PAPER

Purpose of Report

This report provides an update on the 2019/20 LGF current forecast outturn position and an update of the current LGF programme commitments over the life of the LGF programme. The report asks the MCA to approve one scheme (Little Kelham) to be returned to the pipeline due to significant delays in confirming other sources of funding, and for two further schemes (360 Degrees Media and Foxhill Crescent) approve that they will not be counted towards the over programming position.

The report shows there have been significant fluctuations in year from the predicted spend at the start of the year. Action is required to accelerate spend to mitigate the current position where we are currently forecasting a potential underspend.

The totality of the position for the LGF programme is a significant reduction in the over programming position due to the withdrawal of a number of schemes. Further movement is likely to reduce this further and may create additional headroom for schemes to progress.

Thematic Priority

Cross cutting - financial

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

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

Recommendations

Members are asked to

1. Consider the predicted 2019/20 LGF outturn position, and any remedial action it would wish to see to mitigate negative impact on the LGF spend in 19/20.
2. Approve the movement of the Little Kelham scheme from approval back into the pipeline, until it can satisfy the conditions of approval.
3. Discount two schemes 360 Degrees Media and Foxhill Crescent from the over programming position, whilst retaining them in the pipeline for future funding, due to a high probability of not completing business planning and delivery within the life of the LGF window.

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 £377.6m.

1.2 LGF is allocated to LEPs on an annual basis based upon the profile of the original deal done with government. The annual allocation must be spent within the relevant financial year or the LEP faces risk of loss of funds as there is no permitted roll over. SCR commenced the 19/20 year with a high degree of certainty of spend and an active pipeline, however scheme slippage into the final year of LGF and proposed scheme slippage highlights a significant drop in certainty of spend, such that SCR may be in an underspend position.

2. Proposal and justification

2.1 The LGF programme

The cumulative LGF position is:

- £123.1m of projects have now completed
- £159.2m of projects are currently in delivery
- £26.3m has been approved for projects which are in the process of satisfying conditions prior to contract.

Cumulatively this gives a total commitment of £308.6m

There are, in addition, two ringfenced schemes within the programme pipeline totalling a further £45.1m.

Collectively**, the total commitment is £353.7m**

When set against the total programme value of £377.6, the available programme headroom is £23.9m.

2.2 Three schemes presented today for approval at agenda item 18 total £12.61m and if approved the headroom position will be £11.29m. All schemes within the programme are being closely monitored and reviewed in order to increase the headroom available and further reduce the pipeline.

2.3 The MCA are asked to approve action to return one scheme (Little Kelham) with £1m LGF funding approved to the pipeline. The scheme has been unable to confirm their other sources of funding, the original milestone for this condition to be met was June 2019. The scheme remains a viable pipeline scheme and could come back for funding, if available, when it has met the outstanding condition. With a little over one year of the LGF programme remaining this action will enable us to progress other viable schemes which could deliver.

2.4 In addition, there are a further two schemes in our pipeline (360 Degrees Media and Foxhill Crescent) which are being calculated in the over-programming position. The recommendation is that both of these schemes remain in the pipeline but are no longer calculated in the over programming position.

- 360 Media – the scheme promotor had funding approval but asked for the scheme to be returned to the pipeline as they wanted to rescope and redesign the scheme. Whilst the scheme remains a priority to secure, the potential for this redesign work, business case development, securing external funding and delivery will not happen within the window of this LGF programme, where funding needs to be defrayed by March 2021.
- Foxhill Crescent – as yet this scheme has not made progress to satisfy assurance requirements, particularly that a case can be made for the need for grant intervention. Our assessment is currently that this scheme will not progress. If the case can be made, there remains funding available and a strong likelihood that the scheme could deliver prior to March 2021, the scheme would be brought forward for a funding decision.

2.5 Five additional schemes are currently classified as high risk due to delays potentially impacting on spend. Meetings are arranged with senior members within the project sponsors organisations in the coming weeks to consider mitigating or remedial actions.

These projects will be monitored on a weekly basis and any changes will be reported back, in full to the MCA.

2.6 The LGF Annual Position 19/20

Quarter 3 claims have been received for £3.6m worth of expenditure.
The year to date total is £11.1m.
There are a small number of late claims due which will marginally improve progress towards year end targets, but we remain behind profile
£22m or 60% of 19/20 expenditure will need to be spent during Q4 to achieve the annual target and ensure no loss of LGF funding.

2.7 At the start of the 19/20 year we were predicting a high certainty of spend to target as:

- £38.09m of projects were already approved, with a further
- £30.1m forecasting 2019/20 spend in the pipeline (excluding the retained major).

Within year however:

- £4.9m slippage has already been made
- £4.39m slippage has been requested as part of the Q3 return
- 1 scheme in delivery has been halted pending project issues
- 10 schemes with funding approved have not progressed to contract

Considering the slippage already made we are currently predicting a deficit of £1.63m
Factoring the recent requests to slip funds this will give a deficit of £6.02m
Without remedial action to maximise claims and accruals and bring forward any activity possible, achieving the 19/20 financial target is challenging and further slippage of any Q4 expenditure could result in an end of year deficit.

2.8 Proposed management actions

- Approval of schemes presented for decision and rapid progress to contract;
- More frequent claiming on a monthly basis
- Communication and support for Scheme promotors to maximise accruals at year end
- The weekly report on progress on a scheme by scheme basis, utilised in each of the last three years, to be reintroduced for CEX, Directors of Finance and Economic Development Directors to increase communication and oversight of performance of the schemes

3. Consideration of alternative approaches

3.1 The LEP Board, in considering the lifetime programme discounted a do nothing approach.
Prioritisation of available headroom of £9.5m for inward investment, was made in November 19 but subsequent work with Scheme Promotors has increased the headroom.
The LEP agreed not to extend the prioritisation of the increased headroom for Inward Investment projects over and above the initial £9.5m, due to the high risk of schemes in the pipeline. A position was agreed where the remaining infrastructure/skills/transport schemes could progress.

3.2 In year spend

In previous years a time limited call for schemes was released. We have discounted this as do not believe it can be achieved in Q4 and it will have a negative impact on the available headroom and planned pipeline.

4. Implications

4.1 Financial

This paper set out the financial position of the LGF Capital Programme. The total expenditure of the LGF programme will continue to be managed so that it will not exceed the financial resources available. This paper highlights however a potential underspend of available funds.

4.2 Legal

There are no direct legal implications as a result of this paper.

4.3 Risk Management

The current risks affecting the programme is scheme slippage as set out in section 2.7. This will continue to be closely monitored and addressed through SCR's standard programme and performance arrangements.

High risk schemes will continue to be monitored and any changes in the high-risk project pipeline reported back to the LEP and MCA.

A report on progress on a scheme by scheme basis will be shared weekly with CEX, Directors of Finance and Economic Development Directors to increase communication and oversight of performance of the schemes and slippage

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 prior to publication.

6. Appendices/Annexes

6.1 NONE

REPORT AUTHOR	**Sue Sykes**
POST	**AD – Programme and Performance**
Officer responsible	Ruth Adams
Organisation	SCR Executive
Email	Ruth.adams@sheffieldcityregion.org.uk
Telephone	0114 220 3442

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