

MARCHES LEP BOARD MEETING PAPER

Meeting Date:	26 th May 2020																																									
Agenda Item:	Item 6																																									
Item Subject:	Growth Deal Update																																									
For:	Discussion	X	Decision		Information	X																																				
Purpose:	1) To update Board Members on progress in delivering Growth Deal funded projects.																																									
Recommendations:	1) To note the final Growth Deal outturn position for the 2019/20 financial year, as set out in section 1. 2) To note the Quarter 4 2019/20 Data Return submission has been moved to Quarter 1 2020/21, as set out in section 2. 3) To note the current position relating to Growth Deal Spend Allocation 2020/21, as set out in section 3. 4) To note the update on capitalising Growth Deal Funds to cover the actual costs for the LEP's Programme Management Team, as set out in section 4. 5) To note the current position relating to the South Wye Transport package programme, as set out in section 5.																																									
1. Spend Position	<p>At the close of the 2019/20 Financial Year (FY) the Marches LEP recorded an overspend position of £734,163.05. This represents a significant achievement, addressing concerns raised at the LEP's Annual Performance Review in relation to Growth Deal spend.</p> <p>As a consequence, the LEP's indicative Annual Performance Review rating of 'requires improvement' has been changed to 'good', reflecting the hard work undertaken by project promoters.</p> <p>Table 1 provides an overview of spend for the 2019/20 FY, whilst Table 2 provides context of our overall performance against the Growth Deal programme.</p> <p>Table 1 – 2018/19 Financial Year Outturn</p> <table border="1" data-bbox="252 1377 1189 1948"> <thead> <tr> <th></th> <th colspan="2">Final Spend 2019/20</th> </tr> </thead> <tbody> <tr> <td>Telford Eastern Gateway</td> <td>-£</td> <td>339,846.00</td> </tr> <tr> <td>Oxon Link Road</td> <td>£</td> <td>392,871.00</td> </tr> <tr> <td>Marches Skills Capital – Telford College</td> <td>-£</td> <td>11,800.00</td> </tr> <tr> <td>NMITE</td> <td>£</td> <td>2,192,894.00*</td> </tr> <tr> <td>Flaxmill</td> <td>£</td> <td>353,826.32</td> </tr> <tr> <td>H Centre for Cyber Security</td> <td>£</td> <td>0.00</td> </tr> <tr> <td>Newport I&EP</td> <td>£</td> <td>4,227,970.19</td> </tr> <tr> <td>Project Spend Total</td> <td>£</td> <td>6,815,915.51</td> </tr> <tr> <td>LGF Allocation 2019/20</td> <td>£</td> <td>4,602,978.00</td> </tr> <tr> <td>2018/19 Programme Position</td> <td>-£</td> <td>1,478,774.46</td> </tr> <tr> <td>Balance (+/-)</td> <td>£</td> <td>734,163.05</td> </tr> </tbody> </table>							Final Spend 2019/20		Telford Eastern Gateway	-£	339,846.00	Oxon Link Road	£	392,871.00	Marches Skills Capital – Telford College	-£	11,800.00	NMITE	£	2,192,894.00*	Flaxmill	£	353,826.32	H Centre for Cyber Security	£	0.00	Newport I&EP	£	4,227,970.19	Project Spend Total	£	6,815,915.51	LGF Allocation 2019/20	£	4,602,978.00	2018/19 Programme Position	-£	1,478,774.46	Balance (+/-)	£	734,163.05
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Table 2 – Programme Spend Overview

	2015/16 – 2018/19	2019/20	Total
Growth Deal Spend	£ 59,179,759.54	£ 6,815,915.51	£ 65,995,475.05
Growth Deal Income	-£ 60,658,334.00	£ 4,602,978.00	-£ 65,261,312.00
Plus/Minus	-£ 1,478,574.46	-£ 2,212,937.51	£ 734,163.05

2. Growth Deal – Quarter 4 Government Data Return and Outputs

On 12 May 2020 the LEP secretariat received confirmation from the Cities and Local Growth Team that the Quarter 4 2019/20 Data Return submission has been moved to Quarter 1 2020/21, sighting the impact of Covid-19.

Whilst the LEP is continuing to monitor and receive output data from projects, the current circumstances have made it difficult to verify all outputs, therefore an update will be provided to members in August 2020 when the Quarter 1 2020/21 output data will be submitted to government.

3. Growth Deal Spend Allocation 2020/21

On 13 May 2020 all LEP Chief Executives received a letter from Stephen Jones (Co-Director, Cities & Local Growth Unit) setting out the approach from government in respect to paying LEP's their 2020-21 Growth Deal allocation in two phases (please see Appendix 1).

We sought clarification on 19 May from Becky Miles, Area Director, for the West Midlands, Cities and Local Growth Unit as a number of project promoters expressed concerns about whether they will get all of their funds. Becky Miles advised “.....in terms of the 2/3rd of your LGF allocation that will be released to you next week (week commencing 26 May) this is not a cutting of projects by 2/3rds rather a phasing of funding being released. This phasing then provides an opportunity to undertake a review and to take stock of spend that is practical for 2020/21 through a Covid-19 lens and the current situation.

The exact criteria for the review are currently being finalised and tested with a small number of LEPs (as agreed with the LEP network). Once this has been agreed, O Hindle will support you in this exercise and present your case (if justified) for the release of the remaining 1/3 or part thereof to be released to you to fund projects that can spend this year. “

Now we have this clarification from Becky Miles (who will be joining the 26 May Board meeting for her first meeting), we will proceed with the issuing of the new Funding Agreements for the projects awarded LGF at the 24 March Board meeting.

We now expect to receive our formal LGF grant offer letter from MHCLG for the 2020/21 FY funds sometime next week. It will be circulated to Board Members as soon as it is received for information.

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4. Capitalisation of Growth Deal

At the 24 March 2020 LEP Board members agreed to ringfence approximately £300,000 of Growth Deal funds to cover the actual costs for the LEP's Programme Management Team. This included additional activity specifically relating to the recent Project Call process comprising the procurement of Solicitors, an Independent Technical Evaluator and additional staffing resources.

Following the decision, the LEP secretariat have started the process of working through the detail of costs with the Accountable Body finance team, ensuring costs can be capitalised in accordance with accounting guidelines/principles.

5. South Wye Transport Package

The termination of the Funding Agreement for the South Wye Package was agreed at LEP Board on the 27th January 2020, together with agreement to start discussions with Herefordshire Council on the claw back of the £3.8m - already paid to Herefordshire Council to support the development of the SWTP project.

At the last meeting members were advised that Bevan Brittan Solicitors had been instructed by the LEP to work on their behalf in relation to the clawback of the £3.8m. Following a review of the Memorandum of Understanding it was that determined Shropshire Council (in their role as Accountable Body) would be required to seek and recover any sums paid pursuant to the Funding Agreement post-termination as opposed to the LEP.

The process around establishing this position has led to a delay in issuing the letter to Herefordshire Council. Shropshire Council's legal team are in receipt of the draft letter and are working with both the LEP and Bevan Brittan in concluding this piece of work.

Financial implications:

- The LEP needs to accurately monitor spend and outputs, ensuring these do not impact negatively on performance. Should this happen it may result in the loss of grant to the Marches through future Growth Deal allocations.

Legal Implications:

- None

Risks, opportunities and impacts:

- By not receiving the 2020/21 Growth Deal allocations projects will not be able to deliver the projected scale of outputs.
- Timescales of project development and delivery need to be carefully managed.

Appendices:

Appendix 1 – MHCLG letter of 13/05/2020