

## MARCHES LEP BOARD MEETING PAPER

<b>Meeting Date:</b>	24 March 2020					
<b>Agenda Item:</b>	Item 6 b					
<b>Item Subject:</b>	Growth Deal - Capital Projects to utilise Growth Deal Underspend					
<b>For:</b>	<b>Discussion</b>	<b>X</b>	<b>Decision</b>	<b>X</b>	<b>Information</b>	
<b>Purpose:</b>	<p>1) To update Board Members on progress relating to the Growth Deal Capital Funding Project call, recommending those projects which are able to deliver against the set criteria.</p>					
<b>Recommendations:</b>	<p>1) To note the background to the Project Call, as set out in Section 1.  2) To approve the Growth Deal 3 Additional Values, as set out in Table 2.  3) To note the value of Growth Deal Funding available to projects, as set out in Section 2.4  4) To approve the Project Recommendation list, as set out in Table 5.  5) To approve the Project Reserve list, in the event of surplus Growth Deal funds becoming available, as set out in Table 6.  6) To consider utilising Growing Places Funds (Marches Investment Funds) to cover the over-allocation, as set out in section 3.3.</p>					
<b>1. Project Call - Background</b>	<p>At the 24 September 2019 Board meeting a number of risks attributed to Growth Deal projects and their expenditure were highlighted and discussed. It was agreed that, should assurances not be provided around the Growth Deal funding for these projects, the LEP Board would seek to redistribute the funds towards the approval of new projects.</p> <p>To help mitigate the risk of potential underspend within the Programme, the LEP Board agreed the LEP secretariat would develop an Open Call Process should any projects be unable to utilise their full allocations.</p> <p>To ensure a robust pipeline of projects was ready and available (should funding become available), a two-stage process was approved, comprising an Expression of Interest (EoI) followed by an invitation to submit a Full Business Case if successful at EoI stage.</p> <p>A decision was taken at the 27 January 2020 LEP Board to invite the 11 EoI projects rated as Low Risk to submit a Full Business Case. It was agreed that a Commissioning Group would be formed (in line with the Accountability and Assurance Framework), reviewing and signing-off the Full Business Case process, ensuring proposed activities deliver the Marches LEP strategic priorities. The project appraisal process would be overseen by the LEP Secretariat, using established conduct protocols, and undertaken by an Independent Technical Evaluator (ITE), with no prior or subsequent involvement in delivery of the area of work.</p>					
<b>2. Project Call - Growth Deal Allocation</b>						
<b>2.1 South Wye Transport Package</b>	<p>At the 27 January 2020 LEP Board Meeting a decision was taken to terminate (with immediate effect) the Funding Agreement between the LEP and Herefordshire Council for the South Wye Transport Package (SWTP), this was based on the practicalities of achieving the terms of the LEP Funding Agreement, acknowledging a review on the SWTP would not be completed until 31 July 2020.</p>					

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The Growth Deal value of the SWTP Funding Agreement was £27m, with a value of £3.8m having been paid to Herefordshire Council to support the development of the project. An update on the reimbursement of the £3.8m can be found within Agenda Item 6a.

### 2.2 Capitalisation of Programme Management Costs

The Performance Risk and Monitoring Committee, at its meeting on 12 March 2020, put forward a proposal for the LEP Treasurer/Section 151 Officer to consider allowing 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 current Project Call process comprising the procurement of Solicitors, an Independent Technical Evaluator and additional staffing resources. The detail relating to this request can be found in Agenda Item 8b.

### 2.3 Growth Deal 3 - Top Up Existing Projects

At the 24 September 2019 LEP Board meeting members approved for any underspend generated through the LEP programme to be awarded to those Growth Deal 3 projects who received a reduction in grant, enabling them to operate within their original allocation, as outlined in Table 1.

**Table 1 - 7 March 2017 Emergency LEP Board Meeting Growth Deal 3 allocation decision**

Growth Deal 3 Project	Original Growth Deal Request	Revised Allocation	Difference
Hereford Centre for Cyber	£ 3,000,000.00	£ 2,820,000.00	£ 180,000.00
Newport Innovation & Enterprise Package	£ 7,400,000.00	£ 6,364,000.00	£ 1,036,000.00
Investing in Our Workforce (Skills Cap)	£ 2,900,000.00	£ 2,755,000.00	£ 145,000.00
Shrewsbury Flaxmill	£ 2,000,000.00	£ 1,920,000.00	£ 80,000.00
NMITE	£ 10,000,000.00	£ 8,000,000.00	£ 2,000,000.00
Totals	£ 25,300,000.00	£ 21,859,000.00	£ 3,441,000.00

It is proposed that the LEP Board approve the following Growth Deal 3 additional values as set out in Table 2:

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**Table 2 – Growth Deal 3 Additional Values**

Growth Deal 3 Project	Additional Values
Hereford Centre for Cyber	£ 180,000.00
Newport Innovation & Enterprise Package	£ 1,036,000.00
Shrewsbury Flaxmill	£ 80,000.00
NMITE	£ 400,000.00
<b>Totals</b>	<b>£ 1,696,000.00</b>

### 2.3.1 Skills Capital

In relation to the Skills Capital a recent Project Call has been completed around utilising £270,000 of underspend against this project (see agenda item 6a). Whilst the Skills agenda continues to be a high priority for the Marches LEP, it is acknowledged that the process to administer any additional funding towards this project would make it difficult for funds to be spent within the required timescales (31 March 2021).

### 2.3.2 NMITE

To date the LEP has awarded £8million towards the NMITE project (Phases 1 & 2) based on approved Business Plans. On the 12 March 2020 the LEP received a request from the NMITE project team to utilise £400,000 of Growth Deal funds (see table 2), towards the Phase 1 project, contributing to the effective delivery of agreed milestones and outputs. It is recommended that the LEP Board approve this request and agree to ringfence the outstanding balance of 'additional funds' (£1,600,000) should the government award the LEP future regeneration funding\*.

*\*Based on a Business Plan approved by the Marches LEP Board, demonstrating funds can be spent in accordance with the grant conditions awarded to the LEP.*

## 2.4 C

Based on the information outlined in sections 2.1 to 2.3 the table below details the £25,055,692 of Growth Deal funding available for projects through this Call.

**Table 3 – Available Growth Deal Funding**

Income	
South Wye Transport Package	£ 27,000,000.00
Telford College – Reimbursement of Growth Funds*	£ 11,800.00
Growth Deal 3 - Uncommitted Funds	£ 39,892.00
<b>Total</b>	<b>£ 27,051,692.00</b>

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<b>Expenditure</b>	
Capitalisation of Programme Management Costs Proposal*	£ 300,000.00
Growth Deal 3 - Top up for existing projects	£ 1,696,000.00
<b>Total</b>	<b>£ 1,996,000.00</b>

<b>Total Growth Deal Funding Available</b>	<b>£ 25,055,692.00</b>
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\*see Agenda Item 6a.

### 3. Project Call - Full Business Case

#### 3.1 Process

Following the establishment of the Commissioning Group, members reviewed and signed-off the Full Business Case assessment and the Independent Technical Evaluator (ITE) Tender specification. On 21 February 2020, Hatch Regeneris was appointed as the ITE, a fundamental part of their role was to develop an Assessment Framework to score each of the 11 Full Business Case submissions.

The 11 applications for funding (bids), and their associated Growth Deal funding request, were as follows:

**Table 4 – Full Business Cases**

<b>Project</b>	<b>Growth Deal Value</b>
1. HEZ Infrastructure and Building Investment	£ 5,432,000.00
2. The Shell Store	£ 2,493,000.00
3 .Ross Enterprise Park – Phase 1	£ 4,500,000.00
4. Rural Enterprise (Bishop’s Castle only)	£ 3,561,000.00
5. Primary Care Centre at the Tannery	£ 2,500,000.00
6. Oswestry Infrastructure Works	£ 5,000,000.00
7. Stronger Communities Regeneration Sites	£ 9,400,000.00
8. Marches Centre of Excellence in Health Allied Health & Social Care	£ 3,500,000.00
9. Harper and Keele Veterinary School	£ 2,500,000.00
10. Wrekin Housing Trust - Changing People’s Lives	£ 4,000,000.00
11. Pound Farm Technology Demo Farm	£ 2,170,000.00

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### 3.2 Project Recommendations

Appendix 1 is the Marches LGF Assessment Recommendations Paper developed by Hatch Regeneris. As well as the overall strength of individual bids, the recommendations for Growth Deal funding took into consideration the following elements:

- Recommendation 1: The spatial priorities for funding
- Recommendation 2: The additionality to the Marches LEP region
- Recommendation 3: The contribution of elements within package bids
- Recommendation 4: Prioritised based on overall scores

An explanation on the methodology behind each of the above can be found on p2-4, Appendix 1. Based on this methodology Table 5 list the projects recommended by Hatch Regeneris to receive Growth Deal Funding.

**Table 5 – Recommended Project List**

Project	Growth Deal Value	LEP Local Authority Area
Primary Care Centre at the Tannery (Phase 2 Only)	£ 2,064,133.00	Shropshire
HEZ Infrastructure and Building Investment	£ 5,432,000.00	Herefordshire
Marches CoE in Health Allied H&S Care	£ 3,500,000.00	Telford & Wrekin
Oswestry Infrastructure Works	£ 5,000,000.00	Shropshire
Ross Enterprise Park – Phase 1	£ 4,500,000.00	Herefordshire
Stronger Communities Regeneration Sites (Station Quarter, Donnington & Wellington)	£ 7,000,000.00	Telford & Wrekin
<b>Total</b>	<b>£ 27,496,133.00</b>	

The detailed analysis behind each recommendation, outlining the methodology and rationale attributed to each project is set out within Appendix 1. The scoring assessment is set out in Appendix 2, with the detailed information relating to each project in Appendix 3 (Confidential - commercially sensitive). The projects put forward by the ITE for Growth Deal Funds meet the criteria recommendations.

In respect of the Stronger Communities Regeneration Sites project, this scored the same as Wrekin Housing Trust - Changing People's Lives (96), however it was given priority due to its strategic importance in relation to 'Recommendation 1: The spatial priorities for funding'.

A reserve list of projects, that could be funded retrospectively in the event of surplus Growth Deal funds becoming available, is presented in table 6.

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**Table 6 – Reserve List**

Reserve list of Projects	Growth Deal Value	LEP Local Authority Area
Rural Enterprise (Bishop's Castle only)	£ 2,251,000.00	Shropshire
Harper and Keele Veterinary School	£ 2,500,000.00	Telford & Wrekin
The Shell Store	£ 2,493,000.00	Herefordshire
<b>Total</b>	<b>£ 7,244,000.00</b>	

For the projects listed in Table 6 it was determined that in each case the capital investment and economic benefit to the Marches region would occur without Growth Deal Funds. However, given that they are highly deliverable projects, this would satisfy the remaining LGF requirements.

### 3.3 Overcommitment

The total available Growth Deal funding is currently estimated at £25,055,692. The recommended programme therefore represents an over-allocation of £2,440,441 (10%). It is recognised that with the constraints on timeframes for Growth Deal expenditure there is prudence in incorporating an over-allocation.

Consideration should be given to:

1. Utilising alternative LEP funding sources to cover this over-allocation, examples include Growing Places Funds (Marches Investment Funds).
2. Reduce allocations, ensuring project values balance with the available Growth Deal funds.

### 4. Deliverables

This combined funding package will deliver the following core outputs:

- 1,749 gross jobs (plus potentially a further 31 associated with the Tannery - Phase 2 that the Applicant has not claimed for retail and commercial space unlocked)
- 26 jobs safeguarded
- 495 new homes unlocked
- 15.1 ha employment land (plus an additional 171m<sup>2</sup> rentable commercial office space)
- 1,152m<sup>2</sup> area of new / improved training floorspace (with an additional 125m<sup>2</sup> available for training and conference facilities)
- 1,313 new learners
- 1.4km new road
- 943 sqm primary medical centre

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<ul style="list-style-type: none"> <li>• 350m2 of new retail space</li> </ul>
<p><b>Financial implications:</b></p> <ul style="list-style-type: none"> <li>• If the LEP underspends against its Growth Deal allocation, this could impact on the level of grant provided by Government to the Marches LEP.</li> </ul>
<p><b>Legal Implications:</b></p> <ul style="list-style-type: none"> <li>• N/A</li> </ul>
<p><b>Risks, opportunities and impacts:</b></p> <ul style="list-style-type: none"> <li>• By not receiving future Growth Deal allocations projects will not be able to deliver the projected scale of outputs.</li> <li>• Timescales of project development and delivery need to be carefully managed.</li> </ul>
<p><b>Appendices:</b></p> <ul style="list-style-type: none"> <li>• Appendix 1 – Marches LGF Assessment Recommendations Paper</li> <li>• Appendix 2 - Marches LEP Scheme Appraisal - Overall Summary Table</li> <li>• Appendix 3 – <b>Confidential – commercially sensitive</b> LGF Appraisal Summary Proformas</li> </ul>

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