



13 May 2020

Dear LEP Chief Executives

Local Growth Fund in 2020-21

I am writing to you to set out in more detail the approach to paying your 2020-21 LGF allocation (the final year in this current programme) and how we will work with you to manage that. I hope that this note provides the clarity needed.

In confirming LGF allocations this year, we are looking to balance a wider set of issues than previously. Clearly timely and impactful investment decisions are crucial to stimulating local economies, creating jobs and setting your areas up for the best possible re-start and recovery from the Covid 19 crisis. We have also heard from you on the disruption and slippage to some LGF capital programmes, and concern that some LEPs might be unable to spend before March 2021. We recognise that this is not a uniform picture, depending on how you have previously managed the pipeline, the nature of the projects and interdependence with private sector funding. The risks that we are looking to manage extend across all capital programmes and not just LGF, which is why Government is having to review programme payments in light of COVID and the effect it will have on some delivery plans.

Given this uncertainty we therefore need to take a more active role in understanding the contractual status of projects, what the risk of slippage is, and to work with you individually on the best way of managing that. Meanwhile I am happy to confirm again where there are contractual commitments in place, with plans to manage spend of that allocation across the programme in year, we will ensure that the balance of LGF is paid in full.

It is on this basis we will initially pay 2/3 of your LGF allocations for FY2020-21 in May followed by a period of joint working and review over the Summer on contractual commitments and likely spend over the remainder of the year. This will then unlock Ministerial confirmation on the final 1/3 to be paid after the review. If however there are LEPs with ongoing spend against contractual commitments exceeding the 2/3 allocated, evidencing the need for earlier payment we will work with the relevant LEP, providing further LGF if that is required ahead of the review's conclusion. For the review we will need to understand your pipeline, your current and forecast position on contractual commitments, and how you will manage spend against your programmes this financial year within your freedoms and flexibilities. We recognise this may include interdependent decisions with other funding streams. The conclusions of the review point will also be a moment to demonstrate to Ministers what you are prioritising locally as strategically important to the long-term economic success of your areas.

In advance of initiating the review period, we want to work with you on agreeing the most appropriate and proportionate ways of bringing together all the relevant information and considerations. We are therefore grateful for Mark Livesey's offer, through the Network, to corral a few of you to work with us in designing that approach and to pick up with some of your Chairs before Ministers sign off on the approach. Once that is settled your Unit Area Lead will work closely with you to discuss and complete it. If you or your accountable body have any more specific challenges as a result of our approach, we are of course happy to discuss.

May I take this opportunity to say thank you again for all the work you and your colleagues have been doing in recent weeks – these are clearly exceptional times – and your input into Government is making a real difference in how we can best work with you and support local economies. Thank you in advance for your understanding, and for your co-operation, with everything here as well.

I am copying this letter to your Chairs.

Yours faithfully

Stephen Jones
Co-Director
Cities & Local Growth Unit