

MARCHES LEP BOARD MEETING PAPER

Meeting Date:	29 September 2020				
Agenda Item:	Item 7				
Item Subject:	Growth Deal and Getting Building Fund updates				
For:	Discussion		Decision		Information X
Purpose:					
1) To update Board Members on progress delivering both Growth Deal and Getting Building Fund projects.					
Recommendations:					
1) To note the current position relating to Local Growth Fund performance, as set out in section 1.					
2) To note the current position in respect to the Phase 2 Local Growth Fund review, as set out in section 2.					
3) To note the update on the clawback of the £3.8m for the South Wye Project, as set out in section 3.					
4) To note the current position relating to the Getting Building Fund, as set out in section 4.					
5) To note the Delegated Authority decision taken in relation to the Integrated Construction Wetlands project, as set out in section 4.1.					
1. Local Growth Fund – Performance Update					
<p>During Quarter 1 (Q1) 2020/21 the Marches LEP defrayed £6,288,486 of Local Growth Funds (LGF) representing 17% of our total profile for the 2020/21 financial year. Anticipated spend across projects was slightly down on expected levels, mainly due to the impact of Covid-19. In mitigating risk, the LEP team continues to conduct regular virtual monitoring visits with all projects, receiving assurances that spend allocations for 2020/21 will be met.</p> <p>In terms of Match Funding £3,307,782 was verified during the Q1 period with additional values expected in Q2 2020/21. Q4 2019/20 was productive in terms of outputs with the following being claimed and verified: 172 jobs, 8 houses, 1,012 homes with new or improved fibre provision and 67 premises with commercial broadband access. Skills outputs were particularly strong in this quarter with 317 apprenticeships being reported and 4,563 new learners assisted.</p> <p>Typically, Q1 is quiet in terms of outputs and this quarter was no exception, given many projects experienced difficulties in the collation and evidencing of outputs due to the disruption caused by Covid-19. The LEP expects projects to catch up on their output targets from Q2 20/21 onwards. Q1 generated the following outputs: 12 Homes and 4 jobs and 4,299sqm of commercial floorspace.</p>					
2. Local Growth Fund Review – 2020/21 Allocation					
<p>On 13 May 2020 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 LEPs their 2020-21 Growth Deal allocations. This saw all LEPs receive 2/3rds of their LGF allocations for FY2020-21 in May 2020 with a review undertaken over the Summer to unlock Ministerial confirmation on the final 1/3rd allocation.</p> <p>As outlined at the 21 July 2020 Board meeting the Marches LEP was not successful in the Phase 1 LGF review due to a number of Funding Agreements not being signed off, as a consequence of the termination of the South Wye Transport Package. On 19 August 2020 the Marches LEP submitted their Phase 2 LGF Review submission to Government - Table 1 provides a progress update in relation to signing-off Funding Agreements.</p>					

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Table 1 – Funding Agreements

Project	Status
Primary Care Centre at the Tannery	Signed off – 19 August 2020
Oswestry Infrastructure Works	Signed off – 19 August 2020
Stronger Communities Regeneration Sites	Signed off – 19 August 2020
Marches Centre of Excellence in Health Allied Health & Social Care	Signed off – 19 August 2020
HEZ Infrastructure and Building Investment	Final Agreement was issued on 13 August 2020. Herefordshire Council's governance processes state the decision to sign this agreement off sits with the relevant Cabinet Member, this is subject to call in. Progress update will be provided at the 29 September 2020 Meeting.

To date the LEP has not received correspondence from Government in respect to the outcome of the Phase 2 Review. It has been confirmed the officer recommendation put forward to Ministers was in favour of the Marches receiving the remaining 1/3rd LGF payment.

3. South Wye – Clawback of £3.8m

At the Emergency Board meeting on 11 August 2020 it was agreed that you would receive an update on actions taken by the end of August. Attached at Appendix 1 is a copy of the email the LEP Chair issued to Board members on 27 August 2020. On 3 September 2020, the deadline set for a response from Herefordshire Council, the Accountable Body received a letter from a senior solicitor at Herefordshire Council stating that the Council's Legal Services needed to discuss the contents of the letter from the Accountable Body and take instruction from both the s151 Officer and the Monitoring Officer of Herefordshire Council, and also needed to consult with Herefordshire Council officers who have knowledge of the South Wye Transport Package project. The solicitor advised that as a consequence Herefordshire Council required at least 6 weeks before it was in a position to respond to Shropshire Council's letter.

The Accountable Body issued a further letter to Herefordshire Council on 15 September 2020 expressing disappointment with its reply and asking for a full response by 2 October 2020.

4. Getting Building Fund

In August 2020 the Government announced £900 million was available through the new Getting Building Fund (GBF) – investing in local, shovel-ready infrastructure projects to stimulate jobs and support economic recovery.

Following the Marches LEP submission to Government it has been confirmed £14m from GBF has been allocated to the region towards the following projects:

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Table 2 – Getting Building Fund Projects (approved at 14 July 2020 Emergency LEP Board meeting)

Getting Building Fund	
Project	Amount
Integrated Construction Wetlands	£1,000,000
Pride Hill Remodelling	£5,020,000
Tackling Fuel Poverty Through Zero Carbon Innovation	£1,000,000
Hereford City Centre Improvements	£3,000,000
New Model Institute for Engineering and Technology (NMIITE) Skylon Park Campus Development	£1,600,000
Stronger Communities - New College, Wellington and surrounding sites	£2,380,000

To date the Marches LEP has yet to receive monies or the Grant Determination Letter relating to GBF, allowing the LEP to contract with projects. Ensuring there are no delays, the LEP team has started the contracting process with all projects, to support this Shropshire Council has recruited a part-time temporary member of staff (working on the Due Diligence phase), whilst the LEP has procured Bevan Brittan to provide legal advice. Work around the development of the Funding Agreements remains ongoing, with meetings taking place on a daily basis. As a consequence of this an update will be provided at the 29 September 2020 meeting, providing a more informed overview of progress.

4.1 Integrated Construction Wetlands

On 15 September 2020 the LEP Team undertook a follow-up meeting with officers from Herefordshire Council in relation to the recently approved Integrated Construction Wetlands (ICW) project.

The objective of the ICW project is to:

- Address the failing levels of phosphate in the River Lugg catchment area within the Special Area of Conservation*. Through the reduction in phosphate the project would provide sufficient assurances in lifting the planning moratorium.
- Bring in £1,000,000 of Match Funding.
- Deliver up to 500 jobs.

**At the 14 July 2020 Emergency LEP Board meeting it was noted that should planning be an issue for various sites, an alternative option would be to focus the grant on an element of the project concentrating on phosphate offsetting through the acquiring of land and rewilding. In addition to the creation of the wetlands, this would also facilitate house building in the Lugg catchment.*

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At the meeting a request was put forward by Herefordshire Council Officers to amend the project, containing both Wetlands and Rewilding elements. The rationale behind this request was:

- To 'de-risk' the project in relation to timescales – specifically planning permissions.
- Increase Match Funding Value from £1,000,000 to £2,000,000 – resulting in a better Value for Money.
- Maintain the same level of Outputs.

A Delegated Authority decision (16 September 2020) was taken by the LEP Chair, Deputy Chair, Treasurer/Section 151 Officer and Chief Executive to approve this request.

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.
- Should the £3.8m clawback relating to the South Wye Transport package not be received within the 2020/21FY this would cause the LGF Programme to be overspent.
- The LEP has incurred approximately £20k in costs on legal advice to date in relation to the South Wye clawback issue.

Legal Implications:

- External solicitors have been appointed to advise the Accountable Body on the South Wye Clawback issue.

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, including ensuring that adequate resources are in place within the LEP and its accountable body to achieve these.

Appendices:

Appendix 1 - [Email from the LEP Chair to Board Members dated 27/08/2020](#)

Author: Nicholas Alamanos, Marches LEP Programme Manager