

Meeting date:	28 September 2021				
Agenda Item:	6				
Item Subject:	Progress report on Getting Building Fund (GBF)				
For:	Discussion	X	Decision	X	Information

Purpose of the Paper:

To update Board Members on progress delivering the Getting Building Fund programme.

Summary of Recommendations:

The Marches LEP Board:

- 1) Notes the background to the Getting Building Fund Programme. As set out in section 1.
- 2) Notes the Quarter 1 performance position relating to the Getting Building Fund Programme. As set out in section 2.
- 3) Notes the current risks relating the delivery of the Getting Building Fund Programme, including specific risks relating to the Hereford City Centre Improvement and Integrated Construction Wetlands projects. As set out in section 3.
- 4) Approves the recommendations relating to the Hereford City Centre Improvement and Integrated Construction Wetlands projects. As set out in section 4.

Main points

1. Getting Building Fund Programme – Background

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 was confirmed £14 million of GBF grant had been allocated to the region towards the following projects:

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 (NMiTE) - Skylon Park Campus Development	£1,600,000
Stronger Communities - New College, Wellington and surrounding sites	£2,380,000
Total	£14,000,000

Table 1 – GBF Projects (approved 14 July 2020 Emergency LEP Board meeting)

On 18 September 2020, the LEP received confirmation from the Ministry of Housing Communities and Local Government (MHCLG) of the £14million GBF award - split into £7million for Financial Year (FY) 2020/21 with a profile of £7million in FY 2021/22.

A key stipulation for all awarded projects was to ensure GBF grant is spent by 31 March 2022, or risk losing grant to the region.

- **Recommendation – The LEP Board note the background to the Getting Building Fund Programme.**

2. Getting Building Fund – Quarter 1 Performance

In line with guidance the Marches LEP submitted its Quarter 1 2021/22 quarterly data submission to Government on Friday 27 August 2021. This reflected the position set out at the 26 August 2021 Performance Risk and Monitoring Committee (PRMC) meeting.

2.1 GBF Spend Overview

Table 2 provides a breakdown of the Quarter 1 GBF spend position:

Project Name	2020/21				2021/22		Project Total (£)
	Original 2020/21 Profile (£)	GBF Claimed (£)	Freedoms & Flexibilities Claimed (£)	Final 2020/21 Outturn (£)	Updated Forecast (£)	Actual (£)	
Integrated Construction Wetlands	500,000	-	-	-	1,000,000	-	1,000,000
Pride Hill Remodelling	2,917,000	3,525,803		3,525,803	1,494,197	1,873	5,020,000
Tackling Fuel Poverty Through Zero Carbon Innovation	600,000	509,839		509,839	490,161	-	1,000,000
Hereford City Centre Improvements	1,505,744	160,957	1,389,000	1,549,956	1,450,043	-	3,000,000
NMITE - Skylon Park Campus Development	1,000,000	800,000		800,000	800,000	800,000	1,600,000
Stronger Communities - New College, Wellington and surrounding sites	1,190,000	-	1,190,000	1,190,000	1,190,000	-	2,380,000
Total	7,712,744.	4,996,599	2,579,000	7,575,599	6,424,401	801,873	14,000,000

Table 2 – Quarter 1 GBF Spend Overview

Freedoms and Flexibilities

As set out at the 25 May 2021 LEP Board meeting the following two projects utilised Freedoms and Flexibilities* last Financial Year (FY) to enable the LEP to meet its outturn target for 2020/21;

- Hereford City Centre Improvements (HCCI) - utilised £1,389,000 Freedoms and Flexibilities in 2020/21 FY. At Quarter 1 2021/22 the LEP had received £158,414 of claims to offset this amount. The LEP initially received a request from the HCCI project to utilise a further £1,207,000 this FY. A revised request for £1,450,044.20 has been made by the project – please see Section 3.1.
- Stronger Communities - utilised £1,190,000 Freedoms and Flexibilities in 2020/21. At Quarter 1 2021/22 the LEP had received £122,307 of claims to offset this amount.

*Freedoms & Flexibilities – a process enabling Local Authorities to manage spend between years in the scenario where a project cannot spend all of its annual allocation.

2.2 Match Funding and Outputs

The GBF programme had £635,140.00 of Match Funding profiled in 2020/21 FY and £11,904,665 in 2021/22 FY.

To date only the Pride Hill project has submitted match funding for £1,226,190 up to Quarter 1 2021/22 however this has yet to be verified by the Accountable Body. An update on match funding progress will be sought from all GBF projects at the Quarter 2 monitoring meetings scheduled for October 2021.

To date no outputs have been reported to Government. Updates on output delivery will be sought at the Quarter 2 monitoring visits scheduled for October 2021.

- **Recommendation – The LEP Board note Quarter 1 performance position relating to the Getting Building Fund Programme**

3. Current Getting Building Fund Programme Risks

The LEP team, through monthly claims reports received and quarterly monitoring visits undertaken, continue to manage, monitor, and assess risk in relation to the overall GBF Programme. As set out in Table 2 the level of GBF spend during Quarter 1 is extremely low, acknowledging funds need to be spent by 31 March 2022.

On Monday 17 May 2021 a meeting was called by Herefordshire Council to discuss the delivery of the Hereford City Centre Improvements (HCCI) and Integrated Construction Wetlands (ICW) projects. At this meeting it was highlighted that both projects had their individual challenges in relation to delivery, it was agreed both Herefordshire Council and the Marches LEP would work closely together in ensuring these were overcome for the benefit of the Marches region.

Since this meeting the LEP team has been proactively working with Herefordshire Council in trying to establish a known delivery position from which risk can be mitigated and Funding Agreements varied. Unfortunately, despite the best efforts of the LEP team numerous deadlines have been missed to provide the LEP with the requested information. This leaves the LEP unclear on the delivery of the two strategically important projects and their impact on the overall GBF Programme – leading to a potential loss of funding to the region and reputational damage to the LEP.

A deadline of the 17 August 2021 was given to Herefordshire Council to provide all outstanding information relating to each project to enable the LEP to agree a way forward by the 17 September ahead of the Marches LEP Board. Unfortunately, the required information was not provided by this deadline therefore Herefordshire Council has been invited to the Board meeting to provide an update on both projects under agenda item 7.

3.1 Hereford City Centre Improvement Project

The Hereford City Centre Improvement (HCCI) was approved at the 14 July 2020 Emergency LEP Board as a shovel ready project to refurbish the historic core of Hereford as set out in the Herefordshire Streetscape Strategy.

The bid confirmed the project would comprise of enhancements to the public realm within the historic core of the city centre, including the High Town area and the adjoining Cathedral and River Wye Quarter. This included improvements to paving, street furniture, landscaping and street trees and public art.

Table 3 sets out the contracted deliverables in relation to the HCCI approved project:

Project	GBF – Total Contracted	Match – Total Contracted	Outputs	
			Description	Total Contracted
Hereford City Centre Improvement	3,000,000	3,000,000	Jobs Created	90
			Housing Units Completed	100
			Improved m ² Public Realm/Green Space	13190m ²

Table 3 – HCCI GBF Contracted Deliverables

The following sets out a clear and factually accurate overview relating to the current position of the HCCI project.

1. Following a meeting on 17 May 2021, the LEP Team provided Herefordshire Council with a requested Draft ‘Second Capital Funding Side Letter’ - reflecting the information provided at the that time, including a request for £1,207,000 Freedoms & Flexibilities (F&F) in 2021/22. As part of this correspondence the LEP requested additional documentation to support the development of the varied Funding Agreement.
2. On 9 August 2021 the LEP Team met with the Senior Management Team from Herefordshire Council to understand progress relating to actions from the 17 May 2021 meeting and subsequent email correspondence. At this meeting it was confirmed over the past few months Herefordshire Council had been reviewing existing and potential new projects as part of the HCCI package of works.
3. Following various emails and meetings the requested information was submitted by Herefordshire Council to the Marches LEP on 16 September 2021. A number of queries were raised by the LEP relating to the content of the information provided. These are currently being worked through.
4. The revised project proposal includes new elements to what was originally appraised, approved, and contracted by the LEP as part of the GBF programme call. The LEP has been informed by the HCCI Project Team these changes reflect the aspirations of elected members.
5. Confirmation has been received from the HCCI Project Team they are currently unable to provide the requested detail relating to project delivery milestones to the proposed new ‘sub-projects’. It has been confirmed these cannot be provided until detailed investigation works, and the design response is fully understood. This presents the LEP with a lack of clarity relating to project milestones as well as agreeing linked clauses relating to project expenditure and mitigating risk - including potential clauses.
6. The revised financial profile confirms no GBF Grant will be spent in the 2021/22 FY. The profile sets out the agreed F&F amount of £1,389,000 in 2020/21 FY will be offset.
7. A detailed breakdown of project expenditure to be included as part of the varied Funding Agreement has yet to be agreed, due to specific elements yet to be determined – please see bullet point 6 above.
8. A revised F&F request of £1,450,044.20 has been put forward in 2021/22, to be offset in 2022/23 FY. The lack of detail relating to the delivery of sub-projects in 2022/23 FY presents a risk to the LEP based on the F&F request and their ability to offset these amounts within 2022/23 FY (see bullet point 6 above).

9. Careful consideration may need to be given in relation to the F&F request, acknowledging the uncertainty around future LEP budgets and the need for the LEP to fulfil its obligations with Government in managing and monitoring activity post 31 March 2022.
10. It has been confirmed the current HCCI proposal has yet to receive approval through Herefordshire Council's own governance processes, an indicative date of 13 October 2021 has been given for a decision to be made.

3.2 Integrated Construction Wetlands

The Integrated Construction Wetlands (ICW) project was awarded GBF funds to take forward the development of new Integrated Wetland sites to address levels of phosphate pollution in the River Lugg catchment area by providing natural filtration downstream of the existing wastewater treatment works (WWTW). This natural filtration will significantly improve the water quality over that which is currently achieved through chemical treatment within the WWTW. This will unlock a high number of planning applications which are currently on hold as Phosphate pollution has caused a moratorium on housing development in the entirety of the Lugg catchment. In addition to the development of the wetlands, the project also includes the acquisition and re-purposing of agricultural land in the River Lugg catchment area in order to reduce the levels of diffuse phosphate land through existing activity. The additional activity will reduce phosphate levels and will reduce the risk of being unable to meet the required phosphate reductions in order to lift the planning moratorium. The project is contracted to deliver 500 new jobs and unlock 1,385 houses currently on hold once the moratorium is lifted.

Table 4 sets out the contracted deliverables in relation to the ICW approved project:

Project	GBF – Total Contracted	Match – Total Contracted	Outputs	
			Description	Total Contracted
Integrated Construction Wetlands	1,000,000	1,000,000	Jobs created	500
			Housing Units Unlocked	1385

Table 4 – ICW GBF Contracted Deliverables

Due to the complex nature of the project the ICW Funding Agreement was split into two distinct elements, the Wetlands project (indicative GBF value of £555,347) and Rewilding project (indicative GBF value of £444,653). As negotiated and agreed by both parties the Funding Agreement stipulates the LEP cannot pay grant funds to Herefordshire Council unless specific conditions are met (or formally varied). To mitigate risk for both parties the conditions relate to the purchasing of land by specific dates for the Wetlands (31 March 2021) and Rewilding projects (31 October 2021). In addition to this a clause was also included to provide the LEP with a detailed breakdown of expenditure by 28 February 2021 (currently outstanding).

The following sets out a clear and factually accurate overview relating to the current position of the ICW project.

1. On 22 March 2021 Herefordshire Council provided the LEP with suggested amendments to the ICW Funding Agreement. These were not accepted by the LEP, its solicitors and Accountable Body as it was felt the amendments did not mitigate known risks relating to project delivery.
2. A meeting was held on 22 March 2021 to discuss the ICW project and suggested approach in varying the Funding Agreement – including updated project information.
3. On 12 May 2021 the LEP requested specific information from the project team at Herefordshire Council about the delivery of the ICW project, to enable the Funding

Agreement to be varied. This was due to clauses relating to delivery expiring (as outlined above).

4. Following a meeting between Herefordshire Council and the Marches LEP (17 May 2021) an additional email was sent by the LEP on 24 May 2021 to receive an update on delivery.
5. The project had not submitted monthly claims/progress reports for May, June and July 2021 – as set out in their Funding Agreement. This has resulted in a lack of clarity on delivery.
6. To date the project has not drawn down any funds due to being unable to meet the conditions of the grant funding.
7. Following extensive correspondence chasing the requested outstanding information an email was provided by the Project Lead on the 9 September 2021. Unfortunately, the information lacked clarity on a number of specific elements - raising concern around the projects ability to meet the deadline for GBF spend.
8. A meeting was held on the 16 September 2021 between the LEP Programme Team and Herefordshire Council's Chief Executive and Section 151 Officer. It was confirmed an Interim Director would be working to progress the ICW project.
9. The LEP met with the Interim Director on 20 and 21 September 2021. From these meetings it has been verbally confirmed that one of the eight identified sites is near completion, with the other sites still under consideration/negotiation – all at different stages.
10. The Interim Director has undertaken an exercise to assess the financial risk and is working to provide more clarity around the spend profile now that the risks have been quantified. From an initial assessment it is looking likely that there will be an underspend position on this project – specifics to be determined.
11. The assessment shows the approved and contracted Re-wilding element of the project may not be proceedable. Recent email dialogue has confirmed there is little phosphate reduction to be achieved by taking farmland out of production and simply rewilding it.

➤ ***Recommendation – The LEP Board note the current risks relating the delivery of the Getting Building Fund Programme, including specific risks relating to the Hereford City Centre Improvement and Integrated Construction Wetlands projects***

4. Recommendations

Subject to the outcome of reports/presentations by Herefordshire Council under Agenda Item 5, the LEP Board are asked to approve the following recommendations:

- A deadline of 5pm 15 October 2021 is set for Herefordshire Council to provide a final position (including all outstanding information) for both the HCCI and ICW projects.
- Delegated Authority is given to the LEP Chief Executive, LEP Programme Manager and Section 151 Officer (in consultation with the LEP Chair and Vice Chair) to agree and vary the existing Funding Agreements for HCCI and ICW - in line with the objectives and scope of their original LEP Board approved projects.
- An Emergency LEP Board Meeting (date to be agreed) is convened in the event either project is unable to proceed, in order to reallocate any funding.

Financial implications:

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

Legal implications:

- Should both projects be able to proceed the LEP will need to amend both Funding Agreements.
- Should the LEP and Herefordshire Council be unable progress the projects, legal consideration around the termination of Funding Agreements would need to be sought.

Risks, opportunities, and impacts:

- 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.

Equality implications:

- None

Additional information:

- None

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Background papers/documents: Nil