

MARCHES LEP LTD BOARD MEETING PAPER

Meeting date:	26 January 2021					
Agenda Item:	7					
Item Subject:	Progress report on project spend of Local Growth Fund (LGF) & Getting Building Fund (GBF)					
For:	Discussion	X	Decision	X	Information	

Purpose of the Paper:

To update Board Members on progress delivering both Local Growth Fund and Getting Building Fund projects.

Summary of Recommendations:

The Marches LEP Board:

- 1) Notes the current position relating to the Getting Building Fund Programme, as set out in section 1.
- 2) Notes the current position relating to Local Growth Fund Programme. Including an updated spend position relating to NMITE Phase 2, The Primary Care project at the Tannery and the Capitalisation (Programme Management) projects, as set out in sections 2.1, 2.2 and 2.3.
- 3) Notes the potential underspend position relating to Local Growth Fund Programme, as set out in section 2.4.
- 4) Agrees to schedule an Emergency LEP Board Meeting for the Week Commencing 15 February 2021, as set out in section 3.
- 5) Notes the update on the clawback of the £3.8m for the South Wye Project, as set out in section 4.

Main points

1. Getting Building Fund - Update

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. On 18 September 2020, the LEP received confirmation from the Ministry of Housing Communities and Local Government (MHCLG) of the £14,000,000 Getting Building Funds award - split into £7,000,000 for Financial Year (FY) 2020/21 with an indicative profile of £7,000,000 in FY 2021/22.

Table 1 – Getting Building Fund Programme Profile

Project Name	2020 - 2021 Profile	2021 - 2022 Profile	TOTAL
Integrated Construction Wetlands	£ 500,000.00	£ 500,000.00	£ 1,000,000.00
Pride Hill Remodelling	£ 2,917,000.00	£ 2,103,000.00	£ 5,020,000.00
Tackling Fuel Poverty Through Zero Carbon Innovation	£ 600,000.00	£ 400,000.00	£ 1,000,000.00
Hereford City Centre Improvements	£ 1,505,744.00	£ 1,494,256.00	£ 3,000,000.00
NMiTE - Skylon Park Campus Development	£ 1,000,000.00	£ 600,000.00	£ 1,600,000.00
Stronger Communities - New College, Wellington and surrounding sites	£ 1,190,000.00	£ 1,190,000.00	£ 2,380,000.00
Totals	£ 7,712,744.00	£ 6,287,256.00	£ 14,000,000.00

Since the 24 November 2020 LEP Board meeting five of the six GBF Funding Agreements have been signed-off, with the only outstanding Agreement relating to the NMITE Skylon Park Project. On 5th January 2021, a decision was taken by Herefordshire Council to accept responsibility for managing the £1.6m Get Building Fund grant and the relationship with NMITE for the development of their Skylon Park campus. The LEP Team are currently working with both NMITE and Herefordshire Council in respect to finalising outputs relating to this Funding Agreement, including their impact on delivery of the current Phase 2 LGF project.

Project engagement visits have been scheduled for January 2021, with first claims expected imminently. To date the LEP Team has not received any correspondence from project promoters stating projects will not be able to hit their contractual spend targets (as set out in Table 1).

- **Recommendation – The LEP Board note the current position relating to the Getting Building Fund Programme.**

2. Local Growth Fund – Update

1 January – 31 March 2021 represents the final quarter for project expenditure in respect to the LEP's Local Growth Fund (LGF) Programme. N.B. MHCLG have been very clear that no expenditure can slip into the next FY. Table 2 provides an overview of spend for the 2020/21 financial year, providing context in relation to the overall LGF Programme.

Table 2 – Local Growth Fund Overview

Project Name	2020 - 2021 Profile	TOTAL SPEND – 2015 – 2021
Infrastructure		
South Wye Transport Package	£ -	£ 3,843,609.36
Telford Growth Package	£ -	£ 13,900,000.00
Hereford City Centre Transport Package	£ -	£ 16,000,000.00
Telford Eastern Gateway	£ -	£ 3,600,000.00
Telford Bus Station	£ -	£ 1,300,000.00
Shrewsbury Integrated Transport Project	-£ 750,284.00	£ 6,000,000.00
Oxon Link Road	£ 1,159,448.00	£ 4,200,000.00
Skills Capital		
Growth Deal 1 skills project	£ -	£ 3,245,498.00
Broadband		
Connecting Shropshire	£ 1,026,171.00	£ 5,022,000.00
Superfast Telford	£ -	£ 1,004,000.00
Fastershire	£ -	£ 1,673,988.75
Skills - Investing in Our Future Workforce		
Marches Skills Capital - Shrewsbury Colleges Group	£ -	£ 209,078.99
Marches Skills Capital - North Shropshire College	£ -	£ 423,832.53
Marches Skills Capital – Telford College	£ -	£ 508,545.94

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Marches Skills Capital – Derwen College	£ -	£ 313,500.74
Marches Skills Capital – Shrewsbury Colleges Group, Advanced Manufacturing Engineering and Automotive Expansion Project	£ 200,000.00	£ 200,000.00
Marches Skills Capital – Herefordshire, Ludlow & North Shropshire College: Energy Training Centre	£ 70,000.00	£ 70,000.00
Growth Deal 3		
NMiTE	£ 6,128,871.32	£ 8,400,000.00
Flaxmill	£ 1,531,174.18	£ 2,000,000.00
Hereford Centre for Cyber Security	£ 2,095,315.93	£ 3,000,000.00
Newport Innovation & Enterprise Park	£ 2,633,432.96	£ 7,400,000.00
New Projects		
Primary Care at the Tannery , Shrewsbury	£ 2,064,133.20	£ 2,064,133.20
Hereford Enterprise Zone	£ 5,432,000.00	£ 5,432,000.00
Allied Health Care , University of Wolverhampton	£ 3,500,000.00	£ 3,500,000.00
Oswestry Innovation Park	£ 5,000,000.00	£ 5,000,000.00
Stronger Regeneration Communities (Telford)	£ 7,000,000.00	£ 7,000,000.00
Capitalisation (LEP Team Programme Management Costs)	£ 300,000.00	£ 300,000.00
Total	£ 37,390,262.59	£ 105,610,187.51
LGF Programme Allocation		£ 104,887,505.00
Overcommitment		£ 722,682.51

As reported at the 24 November 2020 LEP Board meeting the low level of spend attributed to Quarters 1 & 2 were anticipated due to delays experienced as a result of Covid-19 and the practicalities of contracting £23m of new LGF projects - signed off during the end of Quarter 2. The LEP is currently in the process of reconciling Quarter 3 claims, with the latest available data showing £17,898,094.68 LGF expenditure received, against the yearly profile of £37,390,262.59 – representing 48% of the yearly forecast. The LGF Programme is currently overcommitted by £722,682.51.

To mitigate risk the LEP team continues to conduct regular monitoring visits with all projects, understanding the reasons behind the current spend position, receiving assurances that spend allocations for 2020/21 will be met. Following the recent round of claim reviews and monitoring visits the following are unable to achieve their profiled spend allocation (as set out in table 2):

- NMITE Phase 2 (LGF Project)
- Primary Care Centre at the Tannery (LGF Project)
- Capitalisation (Programme Management Costs)

An overview on each project has been provided below.

2.1 NMITE Phase 2

In line with LEP Board approval on 11 June 2020 the Marches LEP transferred £5,660,000 of LGF directly to Herefordshire Council, in their capacity as Accountable Body for the project. It

has been reported given the delays to the commencement of the project, their profiled spend goes beyond the end of March 2021, however the projects full allocation is expected to be spent.

A meeting was scheduled on 19 January 2021 with Herefordshire Council (NMITE Phase 2, Accountable Body) to discuss 'Freedoms and Flexibilities' - a process enabling Local Authorities to manage spend between years in the scenario where a project cannot spend all of its annual allocation. At this meeting it was explained Herefordshire Council in their capacity as Accountable Body are able to utilise 'Freedoms and Flexibilities' to offset any anticipated underspend in respect to the NMITE Phase 2 project.

2.2 The Primary Care at the Tannery

On 18 December 2020, the LEP received a claim from Shropshire Council stating the project could potentially be underspent by £739,956.08 against its LGF Grant allocation. It was explained this related to two elements 1) misunderstanding around expenditure dates 2) some elements of the bid had already been factored in as a cost of the main contract, therefore been double counted as a bid cost.

A meeting was convened on 18 January 2021, where potential solutions were discussed including the utilisation of Freedoms and Flexibilities as well as further negotiations of activities relating to the delivery of the project. It was agreed the project would have until 5pm on Monday 1 February 2021 to review their spend profile, enabling them to establish a final outturn position.

2.3 Capitalisation (Programme Management Costs)

The LEP Team has identified a potential underspend of £193,000 relating to the Capitalisation Funding Pot. An indicative budget of £300,000 was approved by the LEP Board (24 March 2020) subject to the detail being deemed eligible by the LEP's Section 151 Officer. The purpose of this funding was to allow the LEP to recover costs spent on administering the latest LGF Programme Call and contracting, examples of expenditure included Consultancy and Officer time (LEP Team and Accountable Body) and Legal Fees. Unfortunately, the agreed eligible amount falls short of the £300,000 budget due to rules around capitalisation – meaning not all costs incurred can be attributed to the budget line.

The LEP Team waiting on timesheets from Shropshire Council's Finance Team for time spent on the LGF Programme Call, this could see the underspend position of £193,000 reduced.

- ***Recommendation – The LEP Board note the current position relating to Local Growth Fund Programme, including an updated spend position relating to NMITE Phase 2, The Primary Care at the Tannery and the Capitalisation (Programme Management) projects.***

2.4 Potential Underspend Position

Taking into consideration the current updates as set out in sections 2.1, 2.2 and 2.3 the following table sets out an indicative underspend position:

Table 3 – Local Growth Fund Potential Underspend

Project	Potential Underspend
The Primary Care at the Tannery*	£ 739,956.08
Capitalisation (Programme Management Costs)*	£ 193,000.00
Projected Underspend	£ 932,956.08
Agreed Overspend Position	£ 722,682.51
Potential LGF Programme Underspend Position	-£ 210,273.57

*These costs are indicative amounts, based on estimates provided and may be subject to change over the coming weeks.

- **Recommendation – The LEP Board note the potential underspend position relating to Local Growth Fund Programme, as set out in section 2.4.**

3. Risk Mitigation - GBF and LGF Programmes

As set out in section's 1 and 2 the LEP faces challenges in ensuring projects within our respective GBF and LGF programmes meet their contractual spend requirements. The LEP Team continues to work closely with project promoters in respect to mitigating risk, seeking assurances from projects through open dialogue – including formal monitoring visits.

In relation to the GBF Programme the LEP Team has yet to receive any claims, however no correspondence has been received from projects stating they are unable to achieve their contractual spend profiles (as set out in Table 1). Engagement Visits are currently being undertaken, enabling the LEP Team to further understand each project's spend profile, ascertaining the risk of underperformance against the GBF Programme allocation in 2020/21 FY.

The LGF Programme remains challenging with less than 3 months available to generate £19,492,167.91 worth of expenditure to fulfil our obligations with MHCLG in closing down spend by 31/03/21. As set out in section 2 only the Tannery Project and the Capitalisation pot have set out potential underspend positions, however both may be subject to change – ensuring the LGF Programme is not underspent overall.

In order to further mitigate risk, it is proposed LEP Board Members agree to schedule an Emergency LEP Board meeting, week commencing 15 February 2021, enabling the LEP Team to further work with project promoters over the coming weeks. If required, this Emergency meeting would enable Board Members to consider solutions for both LGF and GBF Programmes, including:

- The potential to approve Freedoms and Flexibilities if proposed by Local Authority partners for either LGF or GBF Projects.
- A review of the LGF Project reserve list (as set out in Table 4), should it be established the LGF programme will be underspent.

Table 4 – Local Growth Fund Reserve Project List (approved by LEP Board 24 March 2020)

Project	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
Total	£ 7,244,000.00	

- **Recommendation – The LEP Board agrees to schedule an Emergency Board Meeting for the Week Commencing 15 February 2021**

4. South Wye – Clawback of £3.8m

This item is necessarily brief because of its contentious nature and the need to ensure that members of the Board are not placed in a position where they have a conflict of interest. Members should be reassured, however, that both the Chair and Chief Executive are involved in this matter as it progresses and will seek approval from the Board as appropriate.

As outlined in the 24 November 2020 LEP Board meeting update on this matter the Accountable Body sent another letter on 11 November 2020 to Herefordshire Council requesting a further response to clarify the issues in the claim for repayment that Herefordshire were disputing. Herefordshire Council were given until 25 November 2020 to respond. A response was received on 25 November 2020 and the position remains that Herefordshire Council dispute the LEP's entitlement to clawback any funding. Detailed consideration is being given to all the issues raised and further legal advice taken on the LEP's legal position and the Accountable Body will be issuing a reply shortly. Following clarification of the issues in dispute via correspondence, the Accountable Body are now seeking to finalise details with Herefordshire Council to attend a without prejudice meeting to discuss the matter further and any potential for resolution.

- **Recommendation – The MLEP Board notes the update on the clawback of the £3.8m for the South Wye Project**

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 grant 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.

Legal implications:

None

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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:

None