

<b>Marches enterprise joint committee</b>	
<b>Meeting date:</b>	<b>12 December 2016</b>
<b>Title of report:</b>	<b>Update on Growth Deal 1 &amp; 2 Project Delivery in 2016/17</b>

## Classification

Open

## Key Decision

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

## Purpose

- 1 To notify the Committee of progress in the delivery of Growth Deal 1 & 2 funded projects; spend against 2016/17 Local Growth Funds (LGF) profile; and ongoing work to bring forward expenditure on current Growth Deal schemes to ensure the LEP spends its full 2016/17 LGF allocation.
- 2 To seek Committee approval for the temporary virement of LGF funding between approved LGF1 projects being delivered in order to achieve full LGF spend allocated for projects in 2016/17.

## Recommendation(s)

**THAT the Joint Committee:**

- a) **Note the update and support the LEP Director in:**
  - i. **the request made to all project sponsors to bring forward expenditure on their Growth Deal projects**
  - ii. **working to maximise growth deal 2016/17 expenditure and minimise underspend and potential loss of LGF to the LEP Programme; and**
- b) **Agree the virement of LGF1 grant between approved LGF1 projects being delivered (principally from Telford Growth Point to Telford Eastern Gateway Project).**

## Summary

- 1 The Marches LEP currently has a total of nine projects/programmes funded by the Government's Growth Deal 1 and 2 (extension) Programmes. Seven of these government-selected projects are large transport infrastructure schemes which will open up much needed employment and housing sites but which come with their own delivery challenges. They can, once on site, be subject to essential changes, delays or opportunities due to unforeseen underground conditions, weather conditions or arising third party delivery issues. The eighth scheme, the Marches Broadband scheme, has similar delivery challenges and the ninth project, a capital programme for Further Education (FE) skills, had seven sub-projects of varying scale and complexity.
- 2 Local Growth Funds must be spent on the Growth Deal projects prioritised by the LEP Board, approved by the Marches Enterprise Joint Committee and signed off by Dept. for Communities & Local Government (DCLG) within the LEP's signed Growth Deal document. The LEP has the freedom from government to manage funding within the programme funding envelope, in accordance with the Assurance Framework. If an approved project could no longer be delivered and the LEP wished to introduce another unfunded prioritised scheme into the Deal, DCLG approval would be needed.
- 3 Appendix 1 of this report provides details of expenditure achieved by current projects, with the government LGF spend profile shown in white, the project contracted spend profile shown in green and actual spend to date shown in blue as at 19 October 2016.

### Year 1 (2015/16) Actual Expenditure

- 4 The expenditure achieved by projects in the last financial year (2015-16) was very close to the government profiled spend of £12.8m, with a relatively small underspend of £112,441. Two of the Year 1 starting projects (Telford Growth Point and Shrewsbury Integrated Transport Package) were however subject to delays and underspends. Year 1 expenditure was therefore achieved by beginning delivery of some Year 2 (2016/17) schemes earlier to bring forward spend. These details are shown in Appendix 1 and included a payment made to the Growth Deal's Department for Transport (DfT) Retained Scheme, the South Wye Transport Package, which is being funded from separate DfT funds. This funding (£392,902) will be repaid to the LEP's Growth Deal pot.

### Year 2 (2016/17) Profiled Expenditure

- 5 The total government profiled spend for 2016-17 is £30,023,451. The two underspending projects also re-profiled expenditure to catch up on underspend in this year, giving an anticipated 2016/17 spend of £32.27m. The LEP and the project managing partners, are contracted to spend the full amount within the financial year or risk losing it from the project and/or the programme.
- 6 Five of the projects are due to complete their LGF spend in the current financial year: Telford Growth Point; Hereford City Centre Transport Package; Eastern Gateway; Telford Bus Station and the FE Skills Programme.
- 7 In the light of the substantial LGF spend for the Partnership this year, BEIS recommended that the LEP move from quarterly to monthly monitoring of project progress and expenditures. Following consultation with Project and Finance Managers, the LEP partners moved to a monthly reporting and claims process, enabling:
  - the LEP Team/Performance, Risk & Monitoring Committee to monitor progress and spend more closely and be more quickly alerted to underspends; and
  - a more regular flow of funds to projects.

- 8 The exception to this is within the Marches broadband project where the Shropshire and Telford supplier, BT, is required to report and claim on a quarterly basis, in line with BDUK (the main funder) arrangements.

## **Year 2 (2016/17) Expenditure to Date**

- 9 In quarters 1 and 2, projects were contracted to spend £15,483,000 (48% of total year's expenditure). Actual expenditure totalled £6,817,806 (21% of total year's spend); equating to an under spend of £8,665,194. October 2016 claims (received 14 November) indicate further spend of £1,526,789 during the month, bringing the percentage spend to 25.9% of 2016/17 total required expenditure.
- 10 Further detail of **Quarter 1 & 2 Expenditure (see below for Contracted and Actual 2016/17 Spend and, where appropriate, current underspend) and project progress** is provided below:

### **Telford Growth Point Package (TGPP)**

Contracted Spend: £7,887,000    Actual Spend: £2,451,393    Current LGF Underspend: £6,419,375

Due to likely planning delays on one element of the scheme and ongoing risk of poor weather conditions, Telford & Wrekin Council (TWC) has requested a temporary virement of LGF funding from this scheme to the Eastern Gateway scheme (see below). While a final figure will be identified in the contract variation, it is estimated that this may be in the region of £1.6m LGF. This funding would be subsequently repaid to this scheme. TGPP Project outputs would remain unaffected.

### **Telford Eastern Gateway**

Contracted Spend: £400,000    Actual Spend: £153,571    Current LGF Underspend: £246,429

TWC has committed to funding the provision of additional electrical capacity at the site and confirms it can therefore spend additional grant within the current financial year. TWC has therefore requested the virement referred to above, with a view to using its own funds to repay to the TGPP by an agreed date in the contract variation, maintaining the government agreed allocations and outputs for each LGF project.

### **Hereford City Centre Transport Package**

Contracted Spend: £4,900,000    Actual Spend: £1,769,672    2015/16 Overspend: £1,579,759    Current LGF Underspend: £1,550,569. Will achieve full spend by end of year.

### **Shrewsbury Integrated Transport Package**

Contracted Spend: £1,175,000    Actual Spend: £520,850    Current LGF Underspend: £654,150. Expected to underspend by £250,000 this year.

### **Oxon Link Road**

Contracted Spend: £0    Actual Spend: £9,825    Current LGF Underspend: £17,922. Will achieve full spend by end of year.

### **Telford Bus Station**

Contracted Spend: £0    Actual Spend: £0    Underspend: £0

This newly contracted project is now on site and in delivery. The scheme is being delivered by Sovereign Santos (Telford Shopping Centre owners). It is anticipated that full spend will be achieved by end of 2016/17.

### **Marches Broadband:**

*Fastershire (Herefordshire)*

Contracted Spend: £0                      Actual Spend: £0                      Underspend: £0  
Will achieve full spend of £100,000 by end of year.

*Connecting Shropshire*

Contracted Spend: £661,000      Actual Spend: £1,904,933      2015/16 Overspend:  
£839,695. Opportunity to bring forward additional spend in this year has been taken.

*Superfast Telford*

Contracted Spend: £0                      Actual Spend: £0                      2015/16 Overspend:  
£130,973. Will achieve full spend by end of year.

**FE Skills Capital Projects**

Contracted Spend: £460,000      Actual Spend: £17,066      Current LGF Underspend:  
£442,934

With a total FE Skills capital pot of £3.29m in 2016/17, six out of seven of the approved projects have now signed contracts. One project sponsor advised in mid-November that they are no longer able to proceed, a second has had to reduce LGF funding to its project by £75k and the largest value project (Marches Centre of Manufacturing and Technology (MCMT) CIC, £1,922,095) advised that it will be unable to claim £550,000 of its allocated LGF until June 2017. The LEP Team is currently in discussion with BEIS on this delayed claim. A total of £130,933 is yet to be allocated and options for this are under consideration.

**LEP Approach to Dealing with Underspends**

- 11 The monthly monitoring process has enabled closer oversight of project delivery and improved joint working to gain early sight of underspends and assist in planning how to manage these. The following has happened:
  1. All projects have been urged to bring forward expenditure
  2. Connecting Shropshire's requested additional expenditure of £1.24m in this year has been acted upon
  3. Fastershire has brought forward expenditure of £100,000 into the current year
  4. Options for temporary use of further funds against the Growth Deal's DfT retained scheme are under consideration.
  5. The following projects have notified likely underspends as follows:
    - Telford Growth Point Package - requested virement of LGF1 funds to Eastern Gateway to offset anticipated underspend, currently projected as £1.6m, as noted above
    - Shrewsbury Integrated Transport Package - £250,000
    - MCMT - £550,000 underspend. Can claim in full by June 2017.
    - FE Skills Capital - £130,933 still to be re-allocated. The LEP Team is in discussion with the 5 projects regarding their ability to utilise these funds and likely additional outputs.
- 12 The LEP Team will continue to work with Project Sponsors to act upon opportunities to bring forward spend. To ensure opportunities can be acted upon quickly, the LEP Director will manage underspend reduction, working in line with the approved Scheme of Delegation. As in 2015/16, the Director will provide regular updates to the LEP Board/PRMC and Dept. for Business, Energy & Industrial Strategy on progress.

**Alternative options**

- 13 If provisions are not put in place to deal with underspends, funding may be lost to the programme.

## **Financial implications**

- 14 The LEP Board has appropriate freedoms from government to manage its Growth Deal Programme, in accordance with the agreed Accountability & Assurance Framework, which includes the Scheme of Delegation approved the MEJC.

## **Legal implications**

- 15 The decision to prioritise the Council-led projects was made by the respective Local Authority Cabinets. As the Joint Committee has now been formed it has the responsibility for the Marches LEP revenue and capital spend. Any decision to vire monies between the prioritised projects, must be in accordance with the LEP Assurance Framework. Section 5.4 of the framework states that the use of resources will be in accordance with Shropshire Council's financial regulations. The Joint Committee is able to specially delegate the ability to exercise virements to the LEP Director as an officer of Shropshire Council in consultation with the LEP's S151 Officer and three Council Leaders.

## **Risks, opportunities and impacts**

- 16 There is a risk that unspent Local Growth Funds allocated for 2016/17 could be lost to the Growth Deal Programme and a further reputational risk to LEP partners on Project and Programme delivery. The LEP Board has the opportunity to manage Growth Deal funds within the Programme to minimise underspends.

## **Consultation**

- 17 The Performance Risk and Monitoring Committee monitors Growth Deal project performance at each bi-monthly meeting and, at its meeting on 19<sup>th</sup> October 2016, supported the recommendations made in this report.

## **Additional Information**

None.

## **Appendices**

Appendix1: Growth Deal Expenditure

## **Background papers**

None identified.