

Open Report on behalf of Richard Wills, Executive Director for Environment and Economy

Report to:	Economic Scrutiny Committee
Date:	29 November 2016
Subject:	Single Local Growth Fund Accountable Body Progress Report

Summary:

This report provides an update from the Accountable Body on the progress of the Single Local Growth Fund operated on behalf of the Greater Lincolnshire Local Enterprise Partnership (GLLEP). The report is focussed on the closure of financial year 2015/16 and highlights the continued progress to date within 2016/17.

Actions Required:

It is recommended that Members:-

1. Delegate to the Enterprise Commissioner, in consultation with the Executive Director for Finance and Public Protection, the implementation of a strategy to secure all of the funding for 2016/2017 should individual projects underspend.
2. Note and comment on the current progress being made on the Growth Deal Programme for Greater Lincolnshire.

1. Background

Lincolnshire County Council is the accountable body for all the Greater Lincolnshire LEP funds with the Single Local Growth Funding (SLGF) being the predominant fund. The Growth Deal was announced in July 2014 which allocated an initial £67.5 million of investment. A further investment of £14.8 million was agreed in January 2015.

Greater Lincolnshire's Local Growth allocation also includes £50 million for the Lincoln Eastern Bypass, £11.9 million of Local Transport funding and £2 million Regional Growth Fund resulting in a total allocation of £146.2m.

£26.4 million of Single Local Growth Fund grant was received via a Section 31 grant determination for the financial period 2015/16. A further £47.9 million has been released for the period 2016/17. This includes £8 million of retained transport funding for the Lincoln Transport Hub.

2. 2015-16 Year Closure

At the time of the last update (May 2016) on SLGF we had not formally closed the accounts with government. We can now confirm:-

- £26.4 million was defrayed and accounted for.
- It was important that we took steps within our agreed freedom and flexibilities in order not to risk losing funding to Greater Lincolnshire. The accountable body offset £8.5 million of funds against Lincolnshire County Council (LCC) schemes in order to secure the budget for contracted Growth Deal projects with spend in future years.
- Three internal transfer payments were made to the sum of £8.5 million, in the main to East West Link. A proportion was also used for Lincoln Eastern Bypass and Lincoln Canwick Hill works.
- 9 projects were contracted to a value of £38.9 million grant with a total spend of £147 million.
- An internal audit review by Assurance Lincolnshire and an external audit commissioned by the LEP undertaken by Streets Audit LLP was completed on the SLGF transactions.
- A signed declaration by the Chief Executive and Chief Internal Auditor was provided to government confirming the spend position following the completion of both audits above. **(Appendix A)**

3. 2016-17 Year Overview

As expected, progress on the Growth Deal has moved at some pace within the 2016/17 period. As detailed within previous reports, we had several projects still in the pipeline and working towards formal contracting and many of the projects were in the very early stages of delivery.

We now have 19 projects contracted including 6 within the Unlocking Rural Housing Programme. Total value of the contracts is £214 million providing £77.7 million of SLGF grant and leveraging in £136.3 million of public/private sector investment.

Several projects are still within negotiation stage and an update on each of these is provided below:-

Project	Stage
Access to Employment Zones	Contractual agreement has been drafted and is with North East Lincolnshire Council's legal team for comment. With negotiations still taking place, the forecast claim for £1.9 million may not be fully achieved.
South Humber Industrial Infrastructure Programme (SHIIP) Phase 2	The project is contracted at Phase 1 stage and is focussed on unlocking the economic potential of industrial development land in North East Lincolnshire's (NEL) area of the Humber Estuary. Phase 2 relates specifically to the new Humber Link Road.

Northern Roundabout Infrastructure Project	Project has replaced the Berkeley Circle project along with the NEP7 scheme and will be contracting for £1.9 million of growth deal support. Draft contractual funding agreement shared with applicants and formal response is awaited from their legal team.
Scunthorpe Town Centre	North Lincolnshire Council cannot confirm the final footprint of highways improvements until it has confirmation of the location to anchor new development buildings in the Town Centre. Feasibility work to determine this still needs to be undertaken.
Holbeach Peppermint Junction	The timetable for the delivery of the road improvement scheme has moved out with a start on site expected in Spring 2017. This revision has been made in order to reflect the likely impact of the need to undertake various statutory functions before the works commence. In particular, obtaining Side Road Orders and a Compulsory Purchase Order (CPO).
Agri-food Centre of Excellence, Holbeach	The University of Lincoln (UOL) European Structural and Investment Fund (ESIF) submission for match funding is still within the ESIF process and was delayed following the EU referendum result. The project has now finally moved to appraisal with all questions having been answered and we would expect this to move to formal approval at the ESIF committee in December.

Current Spend Position

As noted above the SLGF programme target for 2016/17 has now been increased from £39.9 million to £47.9 million as a result of the Lincoln Transport Hub Scheme being formally approved by Department for Transport (DFT) on the 16th August 2016. Although this is great news for Greater Lincolnshire the increase on our target spend with six months to go before year end causes similar spend challenges as last year.

We are currently forecasting a slippage of £16.1 million for 2016/17, £9.6 million of which relates to the Grantham Southern Relief Road Scheme.

The table below highlights our current spend position on each of the contracted schemes and schemes we still expect to contract and spend within the 2016/17 period:

Project	Original Forecast	Current Position	Estimated Slippage
Bishop Burton College Riseholme	1.2	1.2	-
Boole Technology Centre	1.7	1.7	-
Tentercroft Street Growth Corridor	-	-	-
Unlocking Rural Housing Programme	3.3	2.3	1.0
Lincolnshire Lakes	2.0	1.0	1.0
Boston Quadrant	3.9	2.7	1.2
Grantham College	2.3	1.3	1.0
Go Skegness	2.0	2.0	-
Skegness Countryside Business Park	1.5	1.5	-
Grantham Southern Relief Road	12.6	3.0	9.6
Lincoln Transport Hub	9.5	8.5	1.0
Northern Roundabout Junction	1.9	0.9	1.0
Normanby Enterprise Park Site 7	1.0	1.0	-
SHIIP	2.7	2.4	0.3
Access to Employment Zones	1.9	1.9	-
Agri Food Centre of Excellence	0.4	0.4	-
Holbeach Peppermint Junction	0.0	0.0	-
Total	47.9	31.8	16.1

As we already have highlighted these are complex capital projects that often take longer to negotiate through the various external agencies and technical requirements identified within the original business cases. We have always been aware that original Forecast spend submitted to government would have the potential to change and we have been regularly updating them on our current position.

The table below gives some basic examples of why project slippage has occurred but further detail on project progress can be found in Appendix B.

Scheme	Reason
Grantham Southern Relief Road	Highways England Line Orders/Public Right of Way Approvals; Network Rail negotiations; additional planning requirements
Lincolnshire lakes	Environment Agency review timescales; Planning agreement of technical design;
SHIIP	Humber Link Road has taken longer to get through detailed design stages
Grantham College STEM Building	Delays in project procurement stage impacting on site start date.
Lincoln Transport Hub	DFT Approval took longer than originally envisaged impacting on project start and contracting.
Northern Junction Roundabout	Change of Applicant; Contractual agreement with recipients still to be signed

Unlocking Rural Housing Programme	Contractual agreements have been delayed due to planning issues however we do hope we can contract with all schemes prior to year-end. The spend slippage is a cautious estimate until agreements are in place.
Boston Quadrant	Changes in work scheduling of public benefit works has highlighted potential slippage however recent discussions give confidence that this could be brought back in line.

The LEP Investment Board has been made aware of the slippage and we are due to give further updates at their next meeting scheduled on 24th November 2016. Mitigation measures were endorsed by Government and formally agreed at the 30 September Investment Board through utilisation of our local freedoms and flexibilities. Working together LEP Officers and the Accountable Body explored and reported on possible mitigation measures to ease the spend position.

We proposed specific measures within the scope of LEP freedoms and flexibilities namely:

- **Increase intervention rates** – increasing the growth deal claim amounts for 2016/17 for some schemes and reconcile the match funding amounts in future years. This worked well in 2015/16.
- **Rewarding good performance** – many of the projects are providing excellent claim and progress information, hence it would be possible on a risk based approach to release growth deal allocations to these schemes for promoters to manage directly. This has the advantage of reducing the time gap of payment following claim submissions and again can be monitored and reconciled with each future claim submission.
- **Make advance payments to contracted schemes** – this would be a risk based approach with a clear rationale and an agreed timeframe for expenditure incorporated contractually. It would:
 - Resolve complexities of cash flow as identified by some projects
 - Enable more effective project management
 - Simplifying claims where more than one funder is involved i.e. European Regional Development Fund (ERDF)
- **Releasing annual grant allocations to contracted schemes** – Similar to an advance payment but would be for large funding allocations in multi-year projects. Especially useful where the level of complexity involved in each claim and each stage of the project can stall natural project management. Potential here to introduce an annual claim process.
- **Delay repayment of existing capital offset in 2016/17** – at the moment we are only going to reduce the LCC Capital offset by £0.3 million so it would not create much impact.
- **Arrange for more LCC Capital offset** – we have identified the potential of up to £7 million which could be spent against LCC capital projects in 2016/17 if necessary.

- **Bring forward existing growth deal schemes** to cover the slippage identified - having thoroughly explored this option we are very limited in what can be done in this regard.

The Board advised us to work on a combination of measures to help reach the spend target. All decisions taken will be taken on a risk based approach following claim submissions, Accountable Body monitoring visits and LEP officer project meetings.

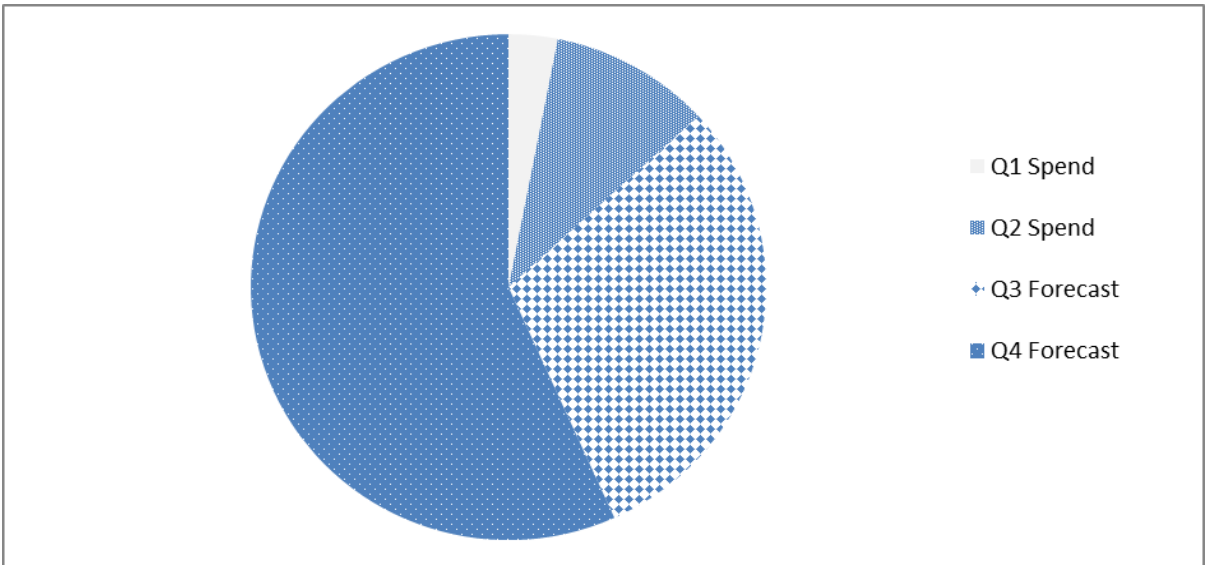
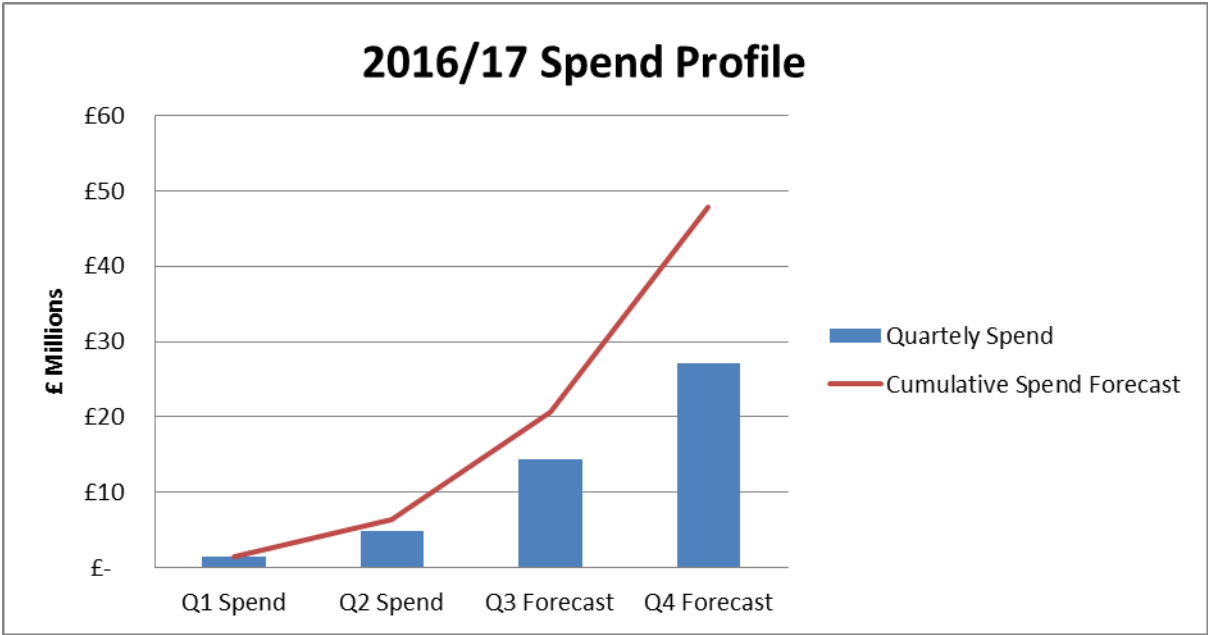
A verbal update can be given at the meeting however early assessment shows the following actions:-

Project	Proposed Slippage Mitigation Measure	Current Position	Forecast Position
Lincolnshire Lakes	Advance Payment £1m	1.0	2.0
Grantham College	Advance Payment £1m	1.3	2.3
Go Skegness	Rewarding Good Performance £2m	2.0	4.0
Skegness Countryside Business Park	30% Advance Payment for next phase £0.72m	1.5	2.2
Grantham Southern Relief Road	Increase Intervention Rates to ensure spend	3.0	3.0
Northern Roundabout Junction	Increase Intervention Rates to ensure spend	0.9	0.9
SHIP	Increase Intervention Rates to ensure spend	2.4	2.4
Agri Food Centre of Excellence	Rewarding Good Performance / Advance £2.4m	0.4	2.4
Holbeach Peppermint Junction	Advance Payment £2.4m	0.0	2.4
Total		12.5	21.6

Implementing these measures would release £9.1 million of grants to projects in addition to current forecast and ensures we maximise current spend position in others. This leaves a gap of £7 million where LCC offset could be actioned.

The £8.5 million already offset to LCC is identified within LCC's accounts. We have drawn down £300,000 of this money to cover costs on the remaining spend on Tentercroft Street Phase 2 and the last claim on Bishop Burton.

With the changes actioned the spend profile for 2016-17 follows a similar pattern to the last financial year where we see a large spike in spend in the last quarter.



Focus on Project delivery

With the challenges of spend targets it is easy to forget the success that the Programme continues to deliver. We have been undertaking both formal and informal monitoring with the projects and the table shown on Appendix B and pictures in Appendix C provide a snapshot of current project progress.

4. Conclusion

The Accountable Body continues to provide a robust environment in which the LEP operates and the Single Local Growth Fund projects are in the main progressing on site. However, the Committee will note the challenges in meeting this year's spend target and the mitigation measures being put in place to lower the risk of losing funding to the area.

5. Consultation

a) Policy Proofing Actions Required

n/a

6. Appendices

These are listed below and attached at the back of the report	
Appendix A	Local Growth Fund Grant Letter
Appendix B	Growth Deal Progress – Contracted Projects
Appendix C	Project Pictures

7. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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