

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

Report to:	Environment and Economy Scrutiny Committee
Date:	24 October 2017
Subject:	Greater Lincolnshire Local Enterprise Partnership – Accountable Body Progress Report

Summary:

This report provides an update from the Accountable Body on the progress of the Single Local Growth Fund (SLGF) operated on behalf of Greater Lincolnshire LEP.

We focus on the current spend position and challenges within 2017/18 but also provide a brief update on the 2016/17 year end position.

Actions Required:

Members of the Committee are invited to:

1. Consider and comment on the current progress being made on the Growth Deal Programme for Greater Lincolnshire.
2. Support the role of Lincolnshire County Council as Accountable Body of the Single Local Growth Fund.
3. Endorse the delegation to S151 Officer (Executive Director for Finance and Resources), in consultation with the Enterprise Commissioner (Environment and Economy), the implementation of measures to secure all funding for the 2017/18 period.

1. Background

Lincolnshire County Council continues to deliver the Accountable Body service for the Greater Lincolnshire LEP. We administer all funding on behalf of LEP including their core funding, other core contributions, growth hub, Loan funding with the predominant fund coming from the Growth Deal and which forms the basis of this report. We also hold all reserves on behalf of the LEP.

To date we have received £89.9million of Single Local Growth Fund (Growth Deal). We currently hold 23 contracts to the value of £232million in total project costs

levering in £151.4 of further investment having allocated £80.6million of the Growth deal monies received.

Contracting is ongoing within the 2017/18 period and has been seen in previous years we will likely over contract monies received to date in advance of future agreed allocations.

2016/17 Closure

As part of ongoing transparency we produced an Annual Financial Report detailing all funds held on behalf of the LEP. The report includes a financial summary with accompanying notes and was fully audited by Assurance Lincolnshire and externally by Street Audit LLP.

Within the 2016/17 period we:

- Received £47.9 million of SLGF which was defrayed and accounted for under the requirements of the fund Grant Determination.
- Took steps under our agreed freedom and flexibilities in order to secure the in year allocation and not risk losing the money to Greater Lincolnshire.
- Achieved full audit sign off by both the assurance Lincolnshire team and streets audit LLP.
- Successfully reviewed and updated our Assurance framework to align with the revised guidance provided within the national assurance framework for growth deal.
- Provided a signed declaration by the chief executive and Chief internal auditor providing government confirmation of the spend position and compliance of the programme.

Further information and associated documents can be found on the GLLEP website www.greaterlincolnshirelep.co.uk under the Corporate Governance section.

2017/18 Overview

We currently hold 23 contracts to the value of £232million in total project costs providing £80.6million SLGF grant leveraging in £151.4 of public/private sector investment.

Contracted projects continue to submit quarterly claims and we have also conducted a number of project monitoring visits. Both claim reviews and visits allow us to assess project progress and spend position.

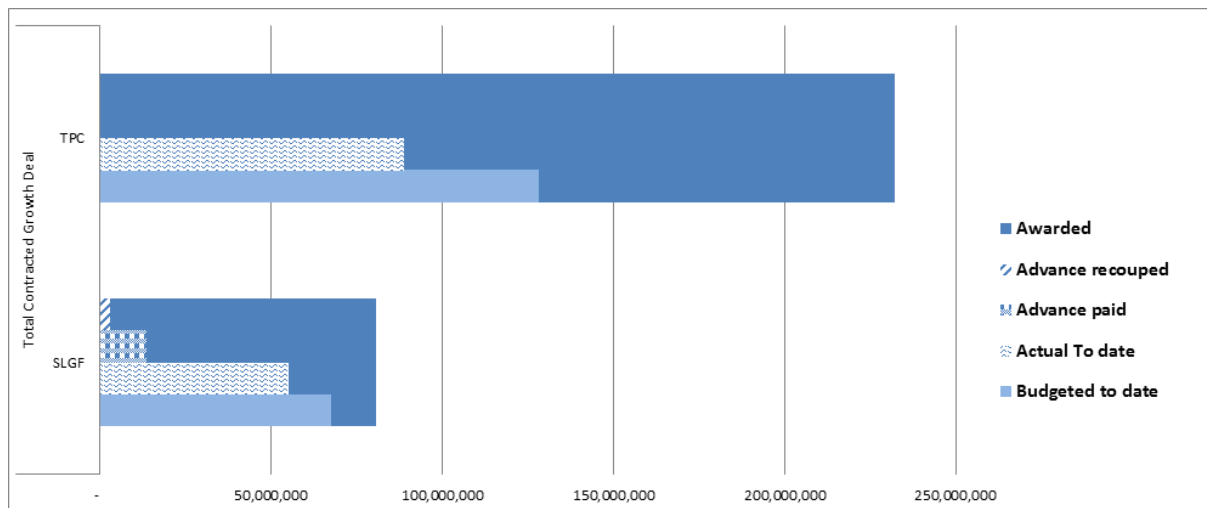
Having had a challenging target last financial year and utilising a variety of freedom and flexibilities we were aware that the new allocation, although smaller at £15.8million, would be difficult to achieve.

Notwithstanding stalled progress on some of the larger schemes, Government allocations for Growth Deal 3 schemes were only confirmed in March 2017, and revised business cases submitted reflect new delivery timescales from those

originally put forward in July 2016. Given the delayed announcement it is unlikely that spend on Growth Deal 3 projects could be brought forward although we are continuing to explore this opportunity.

We continue to rely on the resilience of projects to effectively forecast and meet spend targets. Letters from the accountable body regarding formal variations to contract on expenditure and output forecasts were issued to all grant recipients with funding agreements in place. These have been fully reviewed as part of our quarterly claim cycle and revised contractual forecasts are now being formally confirmed. This will enable us to enhance our existing risk based approach against achieving the government targets.

The graph below shows the programme position prior to the profiling exercise. Whilst these original targets have now been reviewed with grant recipients, and the recent re-profiling exercise once actioned on the system will show project profiles as being aligned, it is important for the committee to understand to what extent the programme has adjusted over time.



Contracted projects are currently 32% under contractual spend targets. With regards to SLGF release projects are under target by 19%. Although you would expect to see a similar level in % variance, the reason it is different is the fact that we have utilised freedoms and flexibilities around paying projects higher intervention rates and have also released advance payments.

Having given out £13.5million in advance payments, we have recouped 20% to date through claim submissions. Although we are clear on the schedule of repayment, £11.5million of advance is still to be evidenced within claims.

Aligned to this is the use of Lincolnshire County Council's capital programme to help ensure the spend targets are achieved. Within the grant determination we are able to pay SLGF grant monies to projects within our own capital projects (In year) to release LCC net capital budget to be utilised against SLGF contracted projects in later years. To date we have achieved £18.3Million of the spend target in this way. The majority of this will be adjusted in 2019/20.

Managing further Slippage

Having reviewed its overall Growth Deal programme following discussions with project lead partners, also taking into account approval and delivery of Growth Deal 3 schemes, it is clear that the 2017/18 growth deal expenditure target will not be fully achieved without utilising further freedom and flexibilities. The shortfall at the time of reporting is expected to be in the region of £6Million.

Given the programme review above we are very limited in what freedoms and flexibilities could be applied this financial year given the impact of last year's reconciliations.

Although we held discussions with Government around re-profiling the yearly allocations to more realistically reflect project spend the position remains unchanged and allocations are still based on initial programme spend targets.

These are however further solutions in order to help the LEP hit the 2017/18 target:

- **Seeking further LCC capital spend within 2017/8 Seeking to release the related net budget against future SLGF spend.**

Early indications are that this option is limited with this financial year.

- **Seeking to pay the amount of the skills capital pot as an advance "programme"**

The programme amounts to £6.8Million in funding. We would explore contracting a programme of delivery as opposed to individual contracts allowing the potential release of these funds on a staged basis dependent on contractual milestones.

- **Seeking to advance pay for local authority capital projects for them to then release secured capital budget to projects.**

Similar to using LCC capital spend but working with our other local authority partners North and North East Lincolnshire

- **Collaboration with LEP areas that are overspending against target.**

Although we are aware that many other LEP areas are struggling to hit government spend targets we have asked for a national picture. There may be the opportunity that if nationally other LEP areas are over achieving against budget we could work closely as part of our network to re-align spend allocation.

These measures could all be introduced under our freedoms and flexibilities. It is worth noting that forecasts for 2018/19 exceed agreed government targets; hence the LEP could begin to significantly rebalance existing offset figures.

Project Update

The majority of projects are successfully delivering on the ground and with some projects complete we are beginning to capture outputs and impacts to the programme. A full project update is provided as an appendix to the report.

Three projects within the programme with a high risk of not being able to meet their agreed grant claim deadlines have been highlighted in more detail below.

As discussed at the last scrutiny meeting, project delivery can be affected by many external factors and we are finding that negotiations with third parties over design, procurement and land ownership are all contributing factors to project delays.

Grantham Southern Relief Road

The project has spent around £7m in total not including advance payments with phase 1 of the scheme completed. Detailed design and technical checks are well advanced for phase 3 of the project which will enable early start on the procurement process once the orders processes have been completed. Phase 2 of the scheme involves connection to the A1 which requires technical approval from Highways England and this process has taken significantly longer than expected.

Accountable body will issue a contract variation to provide an extension of timeframe as agreed at the LEP Investment Board in July. SLGF **must** be defrayed by March 2021 and we will work closely with the project team to work on joint solutions to aid the delivery of the scheme.

Skegness Countryside Business Park

There have been viability issues in relation to the current scheme due to loss of potential investors to other local district council owned sites as a result of undercutting the market. This has resulted in a review of the project objectives and a redesign of the project is currently being discussed with LCC and Croftmarsh. SLGF monies have been released on land purchase but no other expenditure has been claimed to date.

Northern Junction Roundabout

The project (not contracted) is currently under review to understand highways requirements in relation to the project design on both Northern and Southern Junctions near the Lincolnshire Lakes site in Scunthorpe. A strategic meeting was held with Highways England, Housing and Communities Agency and North Lincolnshire Council as highways authority on the 25th September to fully understand revised project requirements and the LEP appointed Thomas Lister to provide an impartial report and make recommendations on the best solution in delivering the project.

2. Conclusion

The Accountable Body team continues to provide a robust environment in which the LEP operates and the single local growth fund projects are in the main progressing well into delivery. Project spend will be monitored closely following the re-profile exercise.

We will continue to work with the LEP to ensure that projects progress to contractual agreements in order to support the delivery of our strategic priorities.

3. Consultation

a) Have Risks and Impact Analysis been carried out?

N/A

b) Risks and Impact Analysis

N/A

4. Appendices

These are listed below and attached at the back of the report	
Appendix A	Supplementary information for members
Appendix B	Project update report

5. Background Papers

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

This report was written by Justin Brown, who can be contacted on 01522 550630 or Justin.Brown@lincolnshire.gov.uk .