

GFirst Local Enterprise Partnership

Board Paper – 25th April 2017

1. **Agenda Item 8** Growth Deal Programme Update update – position at 31/03/2017

2. **What is this item for:**

To provide the Board with information on the management and performance of the Growth Deal Programme.

3. **General Summary:**

The portfolio of projects in our Growth Deal programme are progressing to plan through the various stages leading to full delivery. 15 out of 24 projects have progressed through due diligence, Board approval and have funding agreements. They are in either their build or delivery phases.

The processes for managing the programme and monitoring performance are now well developed, and enable us to report very good progress. Our main focus is to monitor delivery (actual and forecast) in relation to the Growth Deal we have with Government. In addition, each project is held to account for the wider benefits that their individual project has committed to, which will deliver a broader range of benefits for Gloucestershire.

The financial management of the programme is split between 'delegated' and 'non-delegated' schemes. The delegated schemes represent the transport and infrastructure projects, where GCC have a control over the flow of funds. The non-delegated projects are those where the funds flow directly to the promoter.

The performance data is collated and summarised on a diagrammatical Dashboard. The year-end data is not yet available, so a copy has not been provided. However, it will be sent out to the Board in mid-May by email. The main points to note in the interim position are as follows:

- **Out turn:** By Q3 the cumulative out turn was £21.88m. The delegated scheme out turn will be finalised in Q4 which will bring the final cumulative out turn for y/e 16/17 to £31.018m. This is against an allocation of £36.250m, which is an underspend of £5.232m. This will recover substantially in 17/18 – (see below).
- **Actual LGF Spend:** There is a similar shortfall in actual spend in 16/17, which will recover in 17/18
- **Jobs:** The jobs total to Q3 at 837 is disappointing. Although this is expected to improve, there is some cause for concern. The total forecast for Jobs (8,796) is substantially higher than the commitment in the Growth Deal (6,000). This allows some leeway, but the aspiration will be to meet the higher total through increased success with the wider Growth Hub project.
- **Direct Match:** There has been a dramatically higher than expected level of match funding, with £40.22m reported to Q3. This equals the total forecast to the end of 17/18, so we are ahead of target. In particular the GREEN project and the Blackfriars and Quayside investment have delivered significant match.
- **Leverage:** The current forecast for leverage is £260.28m, by comparison to the Growth Deal commitment of £220m. To Q3, £62.59 has been reported, which is close to the 17/18 year end forecast.

4. Supplementary and supporting documents:

The process for reallocation of funds:

This paper provides details of the proposed process to be used to establish how surplus Growth Deals funds will be reallocated. Currently the amount available is £3.87m due to the withdrawal of the A40 Benhall bus lane scheme. Once the process has been agreed by the LEP Board, a planned implementation will commence, with the expectation that a recommendation for reallocation would be brought to the October 2017 LEP Board meeting.

Performance-Output Summary Table

The summary provided illustrates the forecast outputs from each project, the total for each metric, and a comparison to the Growth Deal. On all metrics, the forecast exceeds the commitment we have made to Government. It should be noted that there is some variation in which projects deliver the outputs. For example, the target for 400 Homes was associated with the 'Growth Zone', but not a funded project. The forecast is now 460 with the Blackfriars and Quayside investment delivering 250.

Programme timetable: Forward Look

As a planning tool, the anticipated timetable for projects is captured on the 'forward look' document. This supports resource planning, and in particular, ensures that the due diligence assessor, the investment panel and the Board are aware of future activity.

March 2017 Final Spend profile Summary

As the Board is aware, the Government allocates funds in line with an agreed profile, and the expectation is that they will be invested in projects to the same profile. This is one element of the assessment Government makes of an LEP's performance. The summary shows the forecast and actual spend across the lifetime of the project. The under-spend in 16/17 is attributable to:

Withdrawn:

A40 Benhall scheme: £3.87m

Adjusted profile, to reflect minor delays in projects delivery, recovering in 17/18:

Growth Hub Network : £0.339m less in 16/17

Farm491: £1.281 less in 16/17

Cyber Skills: £1.133m less in 16/17.

The total of all these would be £6.626m. This under-spend has been mitigated to a degree by bringing forward other investments, resulting in an under-spend reported to Government of £5.232m.

The forecast for 17/18 shows a recovery from the 16/17 position which was expected to bring the cumulative underspend down to £0.565m. However, the recent Growth Deal 3 announcement includes £1.661m in 17/18, which brings the forecast cumulative under-spend to £2.226m. We will be working during the year to reduce this.

Growth Deal funds are transferred to the accountable body annually. Government does not provide a multi-year grant determination, resulting in a very small element of uncertainty over the allocation of funds in future years. As a result, it is necessary to manage the level of commitment made to projects within year, and specifically where this commitment includes future years. The accountable body is willing to allow a modest level of over commitment, which results in a risk for GCC. Managing this element to an acceptable level limits the ability of the LEP to bring forward projects for early delivery.

The Growth Deal 3 allocation of £22m for the Cyber business park is expected to be managed via DfT (Department for Transport) as a 'retained' scheme. This removes these funds from the normal annual allocation. The profile is shown here for interest.

4. **Risks / Issues:**

The data in this paper and supporting papers represent the position at 31st March. At this point the working assumption was that the investment in the Cheltenham Digital Hub would be confirmed. A change in this position will impact both the Network spend profile and the Retail Entrepreneurship investment, with a subsequent change to the 17/18 profile.

Work in Q1 17/18 will establish the impact of this and any other investment changes, and will be included in the exercise to establish the timing and value of the opportunity for reallocation of funds.

5. **Recommendations:**

The Board is asked to note that the overall performance of the programme is either meeting or exceeding expectation.

6. **Further information:**

For further information points raised in this Board paper, please contact Mally Findlater
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