# GFirst Local Enterprise Partnership

Board Paper – 4th October 2016

1. **Agenda Item 4**

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

   a. To provide an update to the Board on the management of the Growth Deal spend profile.
   b. To seek approval for a revised profile that takes account of developments across the portfolio of Growth Deal projects
   c. To identify and explain differences between the grant profile and the projects spend profile
   d. To provide information on the way the delegated funds are being managed
   e. To explain and seek approval for the ongoing management of the profile to be delegated to the Programme Management Group

3. **Background:**

The Growth Deal allocation to Gloucestershire of £77.62m across Growth Deals 1 & 2 will be allocated on an annual basis. The amount in each year has been determined by Government, as an indicative profile. The certainty of funds each year is confirmed in an annual grant determination letter, which is usually received in February / March.
In May 2015 the Board approved the spend profile that matched the allocation of funds across all the projects to the BEIS indicative profile.
This included the delegation of a total annual allocation for the transport schemes to be managed by GCC.
The LEP team has been working closely with project promoters and the programme management group (PMG) to manage this process as projects proceed through funding agreements to delivery, and the inevitable challenges that this presents.
In particular:

- A variation to the Elmbridge scheme (funded directly from DFT to the promoter) has resulted in a reduction from £14.1 m to £9.07 m. This reduces the total grant from £77.62 m to £72.59 m, but has no impact on the overall programme.
- Slight changes have been accommodated in response to practical changes in delivery related to GREEN, Innovation for Rural and Agritech (Farm 491), Cyber Security and Blackfriars and Quayside. These have been managed within the profile without significant issues.
- The Growth Hub Network project has been delayed, which has an impact on the profile
- The Growth Hub Expansion project, delivered by UoG will be spending at risk in advance of receiving the grant, so the intention is to bring forward £1.041m which will partially mitigate the underspend for the Network.
- The Retail Entrepreneurship project has proved impossible to deliver in its original format. The LEP are developing an alternative approach, which is likely to be the creation of a Digital Resource Centre (including retail) as part of the Growth Hub Network. As a result the £400K scheduled in 16/17 has been moved to 17/18, which has a negative impact on the profile for 16/17.
- Within the delegated transport schemes there have been a number of changes that are being managed by GCC transport team, which can cause challenges to the overall profile, but have been managed successfully to date. These are likely to continue to need close management.
- The level of delegated funds has allowed some flexibility to compensate for underspend elsewhere. At the end of each financial year, the LEP and Accountable body Finance officers

agree the specific allocation of funds (out turn) which includes some forward allocation of funds to specific projects where they are 'live', with funding agreements and confidence of delivery. In 15/16 this was applied to Blackfriars and Quayside, Cinderford Northern Quarter and Gloucester Transport Hub.
- The tight management of the spend profile is an important success factor with Government, and has, so far, contributed to GFirst LEP's high rating as a successful LEP.

Summary Position:
- As a result of the issues described above, the proposed spend profile shows an underspend of £1.032m in 16/17. This represents 2.85% of the cumulative allocation to the end of 16/17 (£36.25m). This relates to short term delay, not failure, so is quickly corrected in 17/18, at which point there would remain a modest £20K underspend.
- There is a risk that this could have a negative impact on the way we are perceived by Government. Although the underspend is relatively modest, it has been discussed with Katie Jenkins (BEIS), the case being made that this is the best way to ensure we manage the funds responsibly.
- There continue to be challenges related to the transport portfolio. Some schemes will be in a position to deliver early, and others will, of necessity, be delayed.
- There will be opportunities to make changes across the programme to mitigate any negative impacts, which would need to be managed carefully, and with due reference to the impact this could have on GCC's exposure to risk related to potential over commitment.
- The suggested spend profile indicates a modest underspend in 18/19, recovered in 19/20 (£200K). This will be the subject of ongoing management, and is highly likely to change.

## 4. **Risks / Issues:**

It is to be expected that the process of managing the flow of funds to projects in line with the Government profile will continue to be challenging. At programme level, this issue will be included on the risk register, and ongoing mitigating actions will be implemented.
Actions taken to ensure any variation is kept to a minimum, and is acceptable, include managing the expectations of project promoters, clarity and consistency in funding agreements, and a close working relationship with GCC finance team.
BEIS (via Katie Jenkins) will continue to be kept informed on a monthly basis, to maintain transparency, and ensure the current good reputation is maintained.

## 5. **Recommendations:**

The Board is asked to:
- Approve the revised spend profile (September 2016), noting the underspend in 2016 /17
- To agree to delegate the day to day management of the spend profile to the LEP team, working closely with the PMG, in particular the Finance officers, ensuring all changes to the profile are agreed by both the LEP and the accountable body. Also, to add the condition that any significant problems that can not be managed in this way are reported to the Board at the earliest opportunity.

## 6. **Further information:**

For further information points raised in this Board paper, please contact Mally Findlater: mally.findlater@gfirstlep.com