

AGENDA

Solent Local Enterprise Partnership
Meeting of the Finance, Funding and Performance Management Group (FFPMG) to be held on
Thursday 13 September 2018

Item	Title	Time
1.	Introductions and apologies for absence	08:30 – 08:45
2.	Notes of the previous meeting of 22 nd June 2018, matters arising and declarations of interest	
3.	Local Growth Deal Retained schemes update to include: <ul style="list-style-type: none"> • Update on Stubbington Bypass • Update on proposed upgrade to M27 Junction 10 	08:45 – 09:10
4.	Local growth programme update to include: <ul style="list-style-type: none"> • Local growth legacy programmes including an update on the Floating Bridge • LGD Capital programme 2018/19 • Centenary Quay progress report 	09:10 – 09:40
5.	Update on Enterprise Zone to include; <ul style="list-style-type: none"> a. Report on retained business rates 	09.40– 10.05
6.	<ul style="list-style-type: none"> a. Finance forecast year report to include: <ul style="list-style-type: none"> • In year budget position for 2018/19 • Financial Forecasts for the period 2018/19 – 2021/22 b. Update on risk management framework 	10:05- 10:35
7.	Proposed internal audit plan for 2018/19	10:35 – 10:45
8.	Any Other Business <ul style="list-style-type: none"> a. RGF Project Legacy update b. Governance update - CIPFA guidance for s151 officers working with LEPs 	10:45 – 11:00

13.09.2018

Item 2

Meeting notes of FFPMG meeting held on 22.06.2018

Solent Local Enterprise Partnership Funding, Finance Performance Management Group (FFPMG)

Held on Friday 22nd June 2018 in the Executive meeting room, Portsmouth City Council –
8:00 am to 11:25 am

Present	In Attendance
Stuart Hill - Chair	Richard Jones
Anne-Marie Mountifield	Stuart Baker
Brian Johnson	Crispin Dick (item 4 only)
James Fitzgerald (deputising for Chris Ward)	Steve Futter
Keith Mans	Vicki Stone
Seán Woodward	Nicola Twiddy
In attendance from the LEP main board	Sophie Mallon
Kevin George (via telephone from 9.00 am)	Paul Somerset
Rachael Randall	
Gerald Vernon-Jackson	
	Apologies
Guests	Chris Ward
<u>Item 4 - Solent Mitigation update</u>	
David Hayward - Havant BC	
Jade Ellis - Havant BC	
Jonathan Evans - Southampton City Council	
Anna Parry - Portsmouth City Council	
<u>Item 4 - Floating Bridge update</u>	
Cllr Lora Peacey-Wilcox, Chairman, Isle of Wight Council, Medina Ward, and Mayor (acting) and Deputy Mayor of Cowes, Cowes Town Council	
Neil J Blues, retired Quality Assurance Manager (Engineer)	
Michael Douse, retired chartered engineer	
Cllr Petrer Lloyd, Mayor of East Cows, East Cowes Town Council	
Kirsten Xanthippe, Policy Consultant	

Item		Action
1.	Introductions and apologies for absence The Chairman welcomed everyone to the meeting and asked FFPMG Members to agree to reschedule agenda items at the meeting to facilitate a deputation from stakeholders on the Isle of Wight in relation to the floating	

	<p>bridge and a presentation from representatives leading the SRMP project. This was agreed.</p> <p>Apologies for absence received from Chris Ward.</p> <p>A short update was provided to FFPMG in relation to membership as follows:</p> <ul style="list-style-type: none"> • At the May Board meeting, the board agreed the appointment of Keith Mans as a P Director on FFPMG • Following the retirement of Nick Gross as B Director, the board will consider the appointment of Kevin George to FFPMG at the July Board Meeting • Following the resignation of Donna Jones as a LEP P Director, and the appointment of Gerald Vernon-Jackson as a P Director on the main LEP Board, the Board will consider the appointment of Gerald to FFPMG at the July Board Meeting <p>In advance of this an invitation was extended to all board members (following the May 2018 Board meeting) to attend FFPMG and the Chair welcomed Gerald Vernon-Jackson, Rachael Randall to the meeting and it was noted that Kevin George would join the meeting at 9.00 am</p> <p>Gerald Vernon-Jackson advised FFPMG he may need to leave the meeting at a number of intervals in response to an urgent matter currently being dealt with in his role as Leader of Portsmouth City Council.</p>	LEP Board
2.	<p>Notes of the meeting held on 2nd February 2018</p> <p>The meeting notes from the meeting on 2nd February 2018 were agreed by the FFPMG and signed by the Chair.</p> <p><u>Matters Arising</u></p> <p>There were no matters arising.</p> <p><u>Declarations of Interest</u></p> <p><u>Seán Woodward</u> Item 3 - Stubbington Bypass update Item 3 - Welborne and M27 Juntion 10 update Item 4 – SRMP (as Chairman of PUSH) Item 4 - North Whiteley (for noting only) Item 4 – CETC (for noting only) Item 5 - One SME application to the Solent Growth Fund Item 6 – The Proposed Shared Prosperity Fund Item 7 - Finance Forecast and budget for 2018/19 in relation to the Proposed Shared Prosperity Fund</p> <p><u>Keith Mans</u> Item 3 - Stubbington Bypass update Item 6 – The Proposed Shared Prosperity Fund Item 7 - Finance Forecast and budget for 2018/19 in relation to the Proposed Shared Prosperity Fund</p> <p><u>Gerald Vernon - Jackson</u> Item 4 – SRMP (as Vice Chair for PUSH)</p> <p><u>Rachael Randall</u></p>	

	<p>Item 4 - Floating Bridge (for noting only)</p> <p><u>Kevin George</u> Item 4 - Floating Bridge (for noting only)</p> <p><u>Chris Ward</u> Item 4 - Floating Bridge (It was noted that James Fitzgerald was representing Portsmouth City Council as the Accountable Body for Solent LEP</p>	
<p>7.</p>	<p>Finance forecast year end update</p> <p>FFPMG were provided with an update on the final outturn position of all the LEP funds to the end of the 2017/18 financial year (31 March 2018) against the final revised budget.</p> <p>FFPMG members:</p> <ul style="list-style-type: none"> (i) Endorsed the final outturn for 2017/18 of £9,577,052 and the sources of funding called upon and recommended this for approval by the LEP Board on 13th July 2018. (ii) Endorsed the revised budget for 2018/19 of £46,872,240 and the forecast budget for the period 2019/20 to 2021/22 and recommended this for approval by the LEP Board on 13th July 2018 which included: <ul style="list-style-type: none"> • The latest position of the Local Growth Deal Fund noting the challenges around future delivery. • The re-profiling and budget movements. • The current position of the Growing Places Fund. • The initial recommended funding sources for the creation of the new Solent Shared Prosperity Fund. (iii) Considered the options to create the new Solent Shared Prosperity Fund and recommended that this be taken to the LEP Board on 13th July for determination. (iv) Considered the creation of a draft core operational budget for the year 2021/22 and agreed to provide advice to the Board accordingly. (v) Considered the removal of the £3m Growing Places Loan allocation for the Solent Accelerated Housing Project and agreed to provide advice to the Board accordingly. (vi) Noted the Corporate and Strategic Risk Register (vii) Noted the latest forecast position on the Local Growth Deal programme particularly taking into account the risks highlighted. (viii) Noted the high level LGD Risk Matrix for the Local Growth Programme. 	
<p>6.</p>	<p>Solent LEP Investment Funding - Presentation on funding call</p> <p>Gerald Vernon-Jackson left the meeting.</p> <p>Seán Woodward provided a brief update on the M27 Junction 10 Scheme and then withdrew from the meeting before the item was considered.</p> <p>Keith Mans declared an interest in this item and withdrew from the meeting.</p>	

	<p>FFPMG were provided with an update of the work in progress on the development of a Solent LEP Investment Fund (The Solent Shared Prosperity Fund) and a short discussion took place on the fund, the timing of the proposed call and the key focus.</p> <p>A presentation on the proposed development of the fund was provided to FFPMG.</p> <p>Gerald Vernon-Jackson returned to the meeting.</p> <p>Kevin George dialled into the meeting.</p> <p>FFPMG members:</p> <ul style="list-style-type: none"> • Noted the update; • Considered the options for the proposed Solent Shared Prosperity Fund and recommended that this be taken to Board in July for further consideration and determination; and • Agreed to consider the business case eligibility template and provide advice to the Executive so that a final draft guidance document may be shared with the LEP Board in July. 	Executive
8.	<p>Internal Audit update</p> <p>Keith Mans and Seán Woodward returned to the meeting</p> <p>FFPMG members noted the update and agreed the proposed actions of the findings of the IT Infrastructure review.</p> <p>Gerald Vernon-Jackson left the meeting.</p> <p>A short discussion took place in relation to GDPR training for Board members and it was advised that the Executive would propose to the Board a training session take place at the Board Strategy Day.</p> <p>Following the conclusion of this item Keith Mans left the meeting.</p>	Executive
5.	<p>Solent Growth Fund and update from Business Support Investment Panel</p> <p>Gerald Vernon-Jackson returned to the meeting.</p> <p>FFPMG members were provided with an update to the Solent Growth Fund and considered the recommendations from the Business Support Investment Panel which took place on the 14th June 2018. They</p> <ul style="list-style-type: none"> • Noted the update in relation to the Solent Growth Fund progress report; and • Considered the recommendations from the Business Support Investment Panel in December 2017, and agreed that the application for consideration would need to provide further detail in the application before it could progress; and • Considered the recommendations from the Business Support Investment Panel in February and March 2018 and the due diligence reports and agreed the recommendations for actions in the due 	

	<p>diligence reports that would need to be completed by applicants prior to providing a decision on the proposals; and</p> <ul style="list-style-type: none"> • Noted the update in relation to Natural Enterprise Isle of Wight Rural SME Fund; and • Noted the update regarding the Small Business Programme (ERDF) and Considered the status update <p>Seán Woodward declared an interest in one of the applications under consideration following the June 2018 Business Support Investment Panel meeting and left the meeting room whilst an update was given on this project. FFPMG then</p> <ul style="list-style-type: none"> • Considered the recommendations from the Business Support Investment Panel in June 2018 and agreed that this application was ineligible. <p>Seán Woodward returned to the meeting and FFPMG</p> <ul style="list-style-type: none"> • Considered the remaining recommendations from the Business Support Investment Panel in June 2018 and agreed that 1 further application was ineligible and 2 would proceed to due diligence. <p>Gerald Vernon-Jackson left the meeting.</p>	
<p>4.</p>	<p>Local growth programme update</p> <p>FFPMG took the update on the legacy programmes as read.</p> <p><u>North Whiteley</u> FFPMG noted the AECOM initial review of the North Whiteley Business Case and discussed the position of the project within the project pipeline. It was agreed that the North Whiteley Consortium be invited to attend the next Board meeting to provide an update on the scheme.</p> <p>Gerald Vernon- Jackson returned to the meeting.</p> <p>Crispin Dick arrived for the meeting.</p> <p><u>Floating Bridge</u></p> <p>Gerald Vernon-Jackson left the meeting.</p> <p>FFPMG received a delegation from the Isle of Wight and Cllr. Lora Peacey-Wilcox Deputy Mayor of Cowes made a representation on behalf of a stakeholder group of local residents who had significant concerns in relation to the Isle of Wight's delivery of the floating bridge.</p> <p>A question was raised in relation to any public consultation the LEP plans to undertake and its visibility. The Executive advised that in accordance with the LEP assurance framework all full business cases seeking local growth deal investment are subject to public consultation and this spans a 12-week period. In relation to this project the LEP is expecting to receive an updated business case and would therefore undertake a consultation upon the receipt of this. It was expected to be submitted in the Autumn.</p>	<p>Executive</p>

	<p>In addition, it was advised that consultations were published to the Solent LEP website, through wider representation organisations and via social media platforms. The LEP also held a database of contacts that had signed up to receive newsletter updates and would be notified when a public consultation was taking place.</p> <p>The FFPMG Chairman thanked the delegation and they withdrew from the meeting.</p> <p>Crispin Dick left the meeting.</p> <p>Confidential information has been removed. Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed including information relating to an individual and/or relating to the financial or business affairs of a particular person.</p> <p>FFPMG noted the update in relation to the Floating Bridge project.</p> <p><u>Solent Recreation Mitigation project</u></p> <p>FFPMG received a presentation from Anna Parry, Partnership Manger, Portsmouth City Council and David Hayward, Planning Policy Manager at Havant Borough Council who provided an overview on sites currently supported, this included projects that had been delivered and those that were due to start in September 2018.</p> <p>FFPMG were advised that the Itchen Valley Country Park was no longer able to be progressed and requested FFPMG to consider varying the funding agreement to bring forward a newly identified mitigation site on Hayling Island.</p> <p>FFPMG members noted the update in relation to the Solent Recreation Mitigation project and agreed the recommendation to provide advice to the LEP Board at their meeting in July 2018 to the agree a variation to the funding agreement to reflect this change</p> <p><u>Saab SeaEye</u> FFPMG noted the independent Progress Monitoring Review of the Saab SeaEye project and considered the position of the project within the project pipeline.</p> <p><u>Fareham College CTEC</u></p> <p>Seán Woodward asked for his interest to be noted for this item.</p> <p>FFPMG noted the update on the scheme.</p>	<p>LEP Board to consider</p>
<p>3.</p>	<p>Local Growth Deal Retained schemes</p> <p><u>M27 Junction 10 (Welborne)</u></p> <p>Seán Woodward declared his interest in this item.</p>	

	<p>Seán provided a brief update to FFPMG members and then withdrew from the meeting.</p> <p>A short update was provided to FFPMG members on the progress with the M27 Junction 10 retained LGD scheme.</p> <p>It was noted that the second meeting of the M27 Junction 10 Steering Group scheduled for 5th June 2018 had been cancelled and has been re-arranged for 7th August 2018.</p> <p>Following a discussion, FFPMG members noted the update.</p> <p><u>Stubbington Bypass</u> FFPMG members were provided with an update on the scheme.</p>	
<p>9.</p>	<p>Any other Business</p> <p>FFPMG members agreed to reschedule the next FFPMG meeting for week commencing 10 September 2018 and the Executive team would be in contact to canvass an alternative date.</p>	<p>Executive</p>

Meeting closed at 11:25

13.09.2018

Item 3

Local Growth Deal Retained schemes update

Item Number: 3
Item Title: Local Growth Deal Retained Schemes Update
Meeting Date: 13 September 2018
Purpose: For Information

Confidential information has been removed from this report.

Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed from this report including information relating to an individual and/or relating to the financial or business affairs of a particular person.

1. Draft Resolution

FFPMG are asked to:

- **Note** the information contained in this report.;
- Provide further **advice** to the LEP board to inform the ongoing development of the LGD Capital programme and DFT LGD Retained scheme funding

2. Overview

This paper provides updates for noting to FFPMG members on the following LGD retained projects:

- M27 Junction 10 (Welborne); and
- Stubbington Bypass.

Since the July LEP Board meeting the Executive has worked with the scheme promoter of both projects - Hampshire County Council (HCC) - to submit the 2018/19 1st Quarterly Monitoring Report (QMR) to the Department for Transport (DfT). These are attached as annexes A (M27 Junction 10) and B (Stubbington Bypass) and are commented on further below. It should be noted that a mid-year review of all retained schemes is being undertaken by DfT and an updated QMR will be submitted on 14 September 2018. This is currently being prepared and if there are any further changes to the scheme this will be advised at the meeting.

3. M27 Junction 10 (Welborne)

Following the presentation by colleagues from Hampshire County Council to the Board at its meeting on 13th July, the Board were updated by HCC on the scheme. It is expected that by the next Board meeting on 19th October 2018 there will be further updates on:

- A Draft Strategic case (including housing delivery profile);
- Update on estimated cost of the scheme and confirmation of all funding sources; and
- Delivery of infrastructure for proposed M27 Junction 10 in the period to March 2021 and annual profile of associated costs and spend.

In addition HCC will provide an updated timeline for scheme delivery.

The second meeting of the M27 Junction 10 Steering Group took place on the 7th August 2018, where the scheme promoter, Hampshire County Council provided an update on progress. HCC advised that they now expect the Full Business Case to be submitted to DfT for consideration in July 2019. This is seven months earlier than previously advised.

On a broader basis The LEP executive have engaged with the Cities and Local Growth Unit in relation to the £14.15 million LGD funding with a view to securing flexibility from HM Government in relation to the deadline for spending the funding in both 2019/20 and 2020/21.

At the time of writing we have been advised that officials are actively exploring this but it is recommended that we follow up the enquiry with a formal request in writing.

4. Stubbington Bypass

The Executive has been engaging with HCC as scheme promoter to understand progress and we are aware that land negotiations and the Compulsory Purchase Order (CPO) process has been delayed following a decision by the DfT to undertake an Inquiry on the scheme and a date has been set in November 2018 for this. Colleagues from HCC will attend the meeting to provide an update on progress with the Stubbington Bypass project and will be able to provide a progress update for FFPMG members.

Finally, as noted in item six, HCC have advised that they may not need a further advance of £3.5m of LGD funding prior to receipt of the DfT Retained Scheme funding (which is designed to offset the need for incurring borrowing fees). However, the accountable body feel it prudent to retain this allocation in the programme as any scheme slippage may mean that HCC would need some additional short-term funding.

Annex A: Quarterly Monitoring Report for M27 Junction 10 Retained scheme

A confidential report will be considered at the meeting

Annex B: Quarterly Monitoring Report for Stubbington Bypass Retained scheme

A confidential report will be considered at the meeting

13.09.2018

Item 4

Local Growth Programme update

Item Number: 4
Item Title: Local Growth Deal Update
Meeting Date: 13 September 2018
Purpose: For Information and Decision

Confidential information has been removed from this report.

Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed from this report including:

- information relating to an individual, and;
- information relating to the financial or business affairs of any particular person (including the authority holding that information)

1. Draft Resolution

FFPMG members are asked to:

- **Note** the update in relation to the Solent Recreation Mitigation Project; and
- **Note** the update in relation to the Floating Bridge Project; and
- **Note** the update in relation to the Local Growth Deal 2018/19 capital programme; and
- **Note** the update in relation to the Fareham College CTEC Project; and
- **Note** the update in relation to the North Whiteley Transport Improvements Project; and
- **Note** the update in relation to the Natural Enterprise Project and **Consider** the assurance review; and
- **Consider** the officer assessment, due diligence report and completed due diligence activities summary for the Solent Growth Fund - Capital Investment Fund and **Agree** a final funding decision; and
- **Consider** and **Agree** the proposal in relation to the remaining Capital Investment Fund projects; and
- **Note** the update in relation to the Centenary Quay project.

2. Executive Summary

This paper provides updates to FFPMG members on the following matters:

- Local Growth Deal 2015/16 legacy project - Solent Recreation Mitigation Project
- Local Growth Deal 2016/17 legacy project - Floating Bridge
- Local Growth Deal 2018/19 capital programme and reports by exception
- Solent Growth Fund - Capital Investment Fund 2018/19
- Infrastructure to Support House Building project - Centenary Quay

3. Local Growth Deal 2015/16 legacy project - Solent Recreation Mitigation Project

In 2015, the Solent Recreation Mitigation Partnership (SRMP) and the Partnership for Urban South Hampshire (PUSH) with the support of Natural England, submitted a Business Case for Local Growth Deal funding. Solent LEP awarded £1.355m of LGD funding towards four new/enhanced strategic green-spaces, which in turn enables housing development to proceed earlier and with greater viability.

Further to the FPPMG recommendation of 22 June 2018, considered and approved by the LEP Board at their meeting on 13 July 2018, work within the LEP executive and accountable body to agree a variation to the funding agreement is now complete.

4. Local Growth Deal 2016/17 legacy project - Floating Bridge

It is expected that the Isle of Wight Council (IWC) will submit a fully updated full business case for the floating bridge by the 7 September and a further update will be provided at the meeting.

5. Local Growth Deal capital programme update - 2018/19

Work is ongoing to deliver the LGD 2018/19 capital programme and Table 1a below illustrates the current financial position and commitments relating to those projects either approved or under negotiation for 2018/19.

Table 1a: LGD Capital projects continuing / commencing expenditure in 2018/19

Solent Growth Fund Programme - SME support (2018/19)	£1,500,000
Solent Growth Fund Programme Management Costs	£120,850
LGD matched funding towards the ERDF grants programme	£426,190
Local Growth Deal Programme Management	£368,282
Innovation programme Fund (2018/19) - Programme Management Costs	£40,456
Local Large Major transport schemes (Solent Metro)	£660,503
Solent Development Fund	£223,500
<i>National Maritime Systems Centre (note 1)</i>	<i>£3,320,666</i>
Solent University - Warsash School of Maritime Science and Engineering	£5,164,000
Sub Total	£11,824,447
Under negotiation / due diligence with scheme promoters	
Innovation Programme Fund - Saab SeaEye	£2,500,000
Fareham College - Civil Engineering Training Centre	£2,833,000
Stubbington Bypass (further advance)	£3,500,000
<i>North Whiteley (note 1)</i>	<i>£14,000,000</i>
Sub Total	£22,833,000
New Funding Call Solent Prosperity Fund - available funding	
Unallocated Funding	£1,350,000
Sub Total	£1,350,000
Total Programme Allocation (a)	£36,007,447
Solent Growth Deal Award 2018/19 (b)	£10,817,860
Carry Forward from LGD 2017/18 (c)	£22,380,284
Total LGD Capital Programme Funding 2018/19 (d) = (b) + (c)	£33,198,144
Over allocated LGD programme funding 18/19 (e) = (d) - (a)	(£2,809,303)

Note 1: The projects in italics include funding allocations for future years

On this basis, the approved capital programme either under negotiation or at funding agreement stage is £36,007,447, which is an over allocation of £2,809,303 against the total funding available for allocation in 2018/19 of £33,198,144.

FFPMG members should note however that the updated mid-year review shows that the forecast defrayal of funding approved in the current year will be lower as shown in table 1 b below. This forecast expenditure is expected to be £22,480,680 which is 68% of the total funding available to spend in 2018/19. It should be noted however that some of the schemes in the capital programme for 2018/19 will continue into 2019/20 and 2020/21. The latest position of the whole LGD capital programme is shown in appendix E under item 6 a.

Table 1b: Forecast LGD Capital programme expenditure against the 2018/19 allocation

Solent Growth Fund Programme - residual projects	£1,500,000
Solent Growth Fund Programme Management Costs	£120,850
LGD matched funding towards the ERDF grants programme	£426,190
Local Growth Deal Programme Management	£368,282
Innovation programme Fund (2018/19) - Programme Management Costs	£40,456
Local Large Major transport schemes (Solent Metro)	£660,503
Solent Development Fund	£223,500
National Maritime Systems Centre	£2,570,666
Southampton Solent University - Warsash School of Maritime Science and Engineering	£5,164,000
Sub Total	£11,074,447
Under negotiation / due diligence with scheme promoters	
Innovation Programme Fund - Saab SeaEye	£2,500,000
Fareham College - Civil Engineering Training Centre	£2,833,000
Stubbington Bypass (further advance)	£3,500,000
North Whiteley	£1,223,233
Sub Total	£10,056,233
New Funding Call - available funding	
Unallocated Funding	£1,350,000
Sub Total	£1,350,000
Total Programme Allocation (a)	£22,480,680
Solent Growth Deal Award 2018/19 (b)	£10,817,860
Carry Forward from LGD 2017/18 (c)	£22,380,284
Total LGD Capital Programme Funding 2018/19 (d) = (b) + (c)	£33,198,144
Under allocated LGD programme funding 18/19 (e) = (d) - (a)	£10,717,464

The current forecast for 2018/19 shows that the LGD allocation up to and including 31 March 2019 will be under allocated by £10.7m against a cumulative budget of £118m (9.1%), however the budget remains fully allocated to 31 March 2021.

Other projects for FFPMG members to be aware of are as follows:

Fareham College - Civil Engineering Training Centre (CETC)

Further to the FFPMG recommendation of 22 June 2018, considered and approved by the LEP Board at their meeting on 13 July 2018, work within the LEP executive and accountable body is underway to finalise a funding agreement with Fareham College to enable delivery of their CETC project, and a further verbal update will be provided at the FFPMG meeting on 13 September 2018.

North Whiteley

Following the presentation by members of the North Whiteley Consortium to the Board on 13 July 2018, the Consortium has submitted an updated business case, which was received on 31 August and is now undergoing due diligence. It is anticipated that an initial high level view on the due diligence may be available for the FFPMG meeting on 13 September 2018, with the full due diligence report expected to be available for the LEP Board meeting on 19 October 2018.

Natural Enterprise (Solent Growth Fund delivery partner)

As reported to FFPMG in June 2018, Natural Enterprise (NE) have been managing a successful SME grant programme on behalf of the LEP since 2015/16, which seeks to invest in rural businesses based on the Isle of Wight. NE have to date received in excess of £0.5m of LGD funding to distribute as grants and, with this in mind, the LEP commissioned an independent review of the programme earlier this year.

The assurance review was completed of 29 June 2018, and is attached at Annex A.

Accordingly, FFPMG members are asked to:

- **Note** the update in relation to the Natural Enterprise Project; and
- **Consider** the assurance review; and
- **Consider** an indicative funding allocation for 2019/20 commencing on 1 April 2019.

Solent Growth Fund - Capital Investment Fund

Following the closure of the Solent Growth Fund - Capital Investment Fund (CIF) on 11 May 2018, and the subsequent launch of the new SME support elements of the Solent Prosperity Fund on 10 August 2018, the LEP and accountable body have been working with applicants to clear down due diligence activities for those projects seeking in excess of £100,000.

One project has completed all due diligence actions and is ready for consideration by FFPMG. The officer assessment, due diligence report and completed due diligence activities summary are attached at Annexes B, C and D.

Accordingly, FFPMG members are asked to:

- **Note** the update in relation to the Solent Growth Fund - Capital Investment Fund; and
- **Consider** the officer assessment, due diligence report and completed due diligence activities summary and **Agree** a final funding decision; and
- **Consider** and **Agree** the proposal in relation to the remaining Capital Investment Fund projects.

6. Infrastructure to Support House Building Fund - Centenary Quay Phase 4

Centenary Quay is one of the key housing delivery sites within the Solent area. Located on the eastern bank of the River Itchen, approximately 1.5 miles to the east of Southampton City centre, planning consent was granted to this flagship scheme in 2009 for provision of 1,620 new homes along with retail and leisure outlets, a new library and a new nursery. LEP funding has been crucial in ensuring the viability of phase 4 of the scheme and unlocking the potential of the scheme to provide 342 new homes.

Following a site visit, conducted in July 2018 as part of the LGD standard monitoring process, it was confirmed that Phases 1 to 3 are now complete and work on Phase 4a of the scheme is ongoing and nearing completion. Block K1 has been completed, comprising 130 homes, and blocks M and K1L are almost complete, and will offer 75 homes when finalised, alongside multi-storey car parking facilities.

Phase 4B of the development will incorporate the first of the three waterfront residential towers (Block J1) and will lead to the creation of the first part of the riverside public walkway. The site for Phase 4B comprises a 0.44 hectare site bounded by the River Itchen to the west and the remainder of the master plan site to the north, south and east.

**Item 4 Annex A Natural Enterprise Assurance
Review A confidential report will be considered
at the meeting**

Item 4 Annex B - Solent Growth Fund - Capital Investment Fund Project Officer Assessment - A confidential report will be considered at the meeting

**Item 4 Annex C - Solent Growth Fund - Capital
Investment Fund Project - AECOM Due
Diligence Report – A confidential report will be
considered at the meeting**

Item 4 Annex D - Solent Growth Fund - Capital Investment Fund Project - Completed Due Diligence Activities Summary - A confidential report will be considered at the meeting

13.09.2018

Item 5

Update on Enterprise Zone

Item: 5
Title: Solent Enterprise Zone at Daedalus: update and retained rates
Date: 13th September 2018
Purpose: For discussion and decision

Confidential information has been removed from this report.

Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed from this report including information relating to an individual and/or relating to the financial or business affairs of a particular person.

Draft Resolution:

FFPMG is asked to:

- **Note** progress in delivering the Solent Enterprise Zone (EZ); and
- **Note** the draft report on retained rates on the EZ; and specifically
- **Note** the updated forecast estimates of business rate income generated by the EZ which accrues to Solent LEP; and
- **Note** and **Comment** on the cost and benefit (and likelihood of presenting a case to HMT) of extending the business rate relief for a further period to 31 March 2021; and
- **Note and provide advice** on what other incentives might be available that would have a similar or greater effect in encouraging regeneration of the Solent Enterprise Zone; and
- **Consider** the option of utilizing retained rates on the EZ to support wider investment priorities in the Solent area; and
- **Agree** the proposal to share the report with both rating authorities for comment, with a view to bringing the final report to the LEP Board at the October 2018 meeting.

1. Overview

This paper reports on progress with the Solent Enterprise Zone (EZ) at Daedalus and on the independent forecasts of the range of values of the income stream to Solent LEP derived from retained rates generated from businesses on the EZ. The forecasts and supporting narrative are included in their draft report in Annex A.

Independent advice was commissioned by Solent LEP to look at the effect of the withdrawal of the government funded EZ business rates relief scheme. This study has included the following:

- a. An estimate of the current business rates income position; and
- b. The cost and benefit (and likelihood of presenting a case to HMT) of extending the business rate relief for a further period to 31 March 2021; and
- c. What other incentives might be available that would have a similar or greater effect in encouraging regeneration of the Solent Enterprise Zone

The paper also includes reference to the consultants' proposals for interventions that Solent LEP might consider to maintain the growth momentum on the EZ to look at utilising the surplus business rates income to support wider investment priorities in the Solent area.

FFPMG are asked to consider and comment on the draft report and subject to this it is proposed to share the report with both rating authorities for comment, with a view to bringing the final report to the LEP Board at the October 2018 meeting.

2. Background

The Solent Enterprise Zone at Daedalus was formally designated in 2012 with the aim of creating new employment in, principally, engineering and manufacturing. The full Daedalus site is around 400 acres of which half is the EZ. Daedalus divides into five main areas:

- Daedalus East, now known as Faraday Business Park, the area which has received most development;
- Daedalus West, to be known as Swordfish Business Park yet to be developed;
- the airfield, not part of the EZ but to be known as the Solent Airport;
- Daedalus Park in Gosport, owned by a private developer;
- the Gosport Waterfront area.

The first three are owned by Fareham Borough Council following their acquisition from the HCA (now Homes England) and the Gosport Waterfront area is currently owned by Homes England but with disposals both underway and proposed. Of these five main areas, all but the airfield is within the EZ boundary.

FFPMG will want to concentrate on three issues: the benefits of Enterprise Zone status to Solent LEP and use of retained rates; progress to date; and opportunities for further development and potential constraints.

3. Benefits of Enterprise Zone status

EZ status confers two main benefits:

- to occupiers who are eligible to receive a business rate discount of up to £55,000 a year for five years, the costs of which are met by HM Treasury. The discount was originally intended to cease in 2015 but was extended to 31 March 2018. The discount therefore ceased at Daedalus earlier this year and currently occupiers are offered no other specific incentive to locate on the Enterprise Zone; and
- the ability to retain incremental rates generated from businesses on the EZ over the agreed baselines, the benefit of which passes to Solent LEP for reinvestment on the Zone or other eligible projects.

When the Solent EZ was designated, the rating authorities (FBC and GBC) notified DCLG of a baseline for non-domestic rates payable by businesses located within the boundaries of the Zone. EZ status enables the value of incremental business rates, which exceed the baselines (updated for inflation) to be retained locally and be passed to the LEP for reinvestment. This concession lasts for the 25 year lifetime of the Enterprise Zone and is exempt from 'resets', which otherwise affect locally retained business rates under the local government finance system.

A number of studies have been commissioned to forecast the value of the retained rates potentially accruing to Solent LEP over the lifetime of the Zone. The models are critically dependent on two factors: the *volume* of new development and the *timing*, so that the more development that takes place and the earlier, the greater the value of retained business rates to Solent LEP. The most recent forecast was undertaken earlier this year by Cushman and Wakefield on the basis of three scenarios: a baseline forecast reflecting the existing Outline

planning consents for development of the EZ; a cautious scenario, which represents a similar volume of development proceeding at a slower pace (a two year delay); and an optimistic case based on a significantly increased volume of development which would take the site to capacity and beyond current planning consents. These are summarised below

Forecast retained business rates over the lifetime of Solent EZ

		Cautious Scenario	Baseline Scenario	Optimistic Scenario
Forecast Retained Rates	Total EZ	£34.3m	£36.8m	£51.3m

In the light of these and previous forecasts, Solent LEP has allocated the product of the retained rates to two projects:

- a contractual commitment of £7.3m to Fareham BC to develop Daedalus West involving a new access road, infrastructure, and a new speculative building to kick-start redevelopment which relates specifically to retained rates arising from Daedalus West; and
- an agreement with Hampshire County Council yet to be formalised, to contribute £8.9m towards the cost of the Stubbington Bypass in addition to funding secured through the Solent Growth Deal and 'retained' by the Department for Transport.

The consultants have also been asked to establish the value of retained rates that have been raised to date. The sums appear to be modest because demolitions have reduced the number of rateable premises and the rates collected have dropped below the baselines. It is proposed to share the report with both rating authorities for comment, with a view to bringing the final report to the LEP Board at the October 2018 meeting.

4. EZ Progress to date

None of the infrastructure at Daedalus at the date of designation of the Enterprise Zone was fit for purpose with the consequence that it has had to be planned and developed from scratch incurring high up-front costs and an extended development lead time. Key developments have been:

- a new main access to the EZ and establishment of a new business park at Daedalus East including a 20,000 sq ft speculative unit to kick-start development. This was funded by an £8.5m loan from Solent LEP to Hampshire County Council acting as lead developers, repayable from property receipts;
- two ancillary accesses costing around £1m each, funded by SEEDA/HCA;
- CEMAST costing £12m, funded by partners including a £3m RGF grant from Solent LEP and a £3m loan from Solent LEP (now repaid);
- the first phase of the Fareham Innovation Centre costing £5.3m, funded largely by the HCA. The second phase costing £7m opened in April 2018 and has been funded by FBC together with a £2m grant from Solent LEP. The original centre was fully let within 8 months. The current position is that the Centre houses 28 companies employing 162 people
- a new link road, Daedalus Drive, plus new power and drainage to unlock the Gosport Waterfront, funded by Solent LEP through a £7m DCLG grant. The road and power reinforcement is complete and the drainage project is underway;
- a £642,000 grant to the Universal Tool and Production Company towards ground works and the building fabric of their new premises
- up to £500,000 grant to MonsterCAM for the expansion of their existing factory capacity and significant machinery investment
- £1.5m invested by Fareham Borough Council into upgrading the airfield's main runway

- 102 new homes have been developed by Barratts at Seaview Square;
- commercial development of 135,000 sq ft at Daedalus Park mainly for small businesses in 65 units. Phase 1 is complete and fully occupied and Phase 2 commenced in July. Most units have already been let or sold. Two occupiers at Daedalus Park have received Solent LEP grants;
- eleven new business/aviation hangars owned and financed by FBC and completed early in 2018. One is occupied by a growing aviation business already based at Daedalus and the remainder is at various stages of negotiation;
- development by Wates of two sites of 100 homes each in the Gosport area of the EZ, one of the pilot schemes under Homes England's Accelerated Housing initiative. Development will start on site in September with homes likely to be available by late 2019;
- investment in new service roads and infrastructure by Homes England costing around £2.5m at Gosport Waterfront, including capacity to service development on adjoining undeveloped land;

It should be noted that to date the sum total of Solent LEP investment (through grant and loan) onsite has been nearly £25 million.

Off site, Solent LEP has also funded a programme of improvements, delivered by Hampshire County Council, to the local road network which together improve access to the Gosport peninsular but also directly serve the EZ by improving road access from Fareham town centre and M27 Junction 11. The combined cost is £13.3m. The proposed £34m Stubbington By-pass will run close to the northern boundary of Daedalus and will also improve access to the EZ from M27 Junction 9 and is expected to have a positive effect on the marketing of the Swordfish Business Park once redeveloped.

Currently there is an estimated 660 jobs on the Enterprise Zone (including construction jobs). Many of these are small or micro businesses reflecting the success of the EZ - and especially the Innovation Centre - in encouraging new start-ups. The jobs count is expected to increase by around 200 over the next 12 months as occupiers move into new developments. Construction employment, while difficult to establish, has been estimated at around 50 jobs and this is expected to continue for a further 18-24 months.

What is particularly striking is a dramatic change in the *quality* of employment on the EZ. Jobs have gone from low-grade employment in dilapidated premises to highly skilled engineering employment at companies such as UTP and Proptech. The Innovation Centre has recently been successful in its bid to become part of the UK's Space Incubation Network.

5. Opportunities for further Progress and Constraints

The key issue for Solent LEP is to maintain the momentum of development at the EZ. The availability of business rates discounts for occupiers has been a defining characteristic of Enterprise Zones and it has been perceived by occupiers, investors, landowners and their agents as an important factor in incentivising the growth of the Solent EZ

The independent review therefore assesses the scope for interventions by Solent LEP that might encourage further commercial investment and in particular the development and occupation of new premises of around 20,000 sq ft or more that directly contribute to the retained rates income that accrues to Solent LEP over the lifetime of the Enterprise Zone. The scope of the study has also included consideration of the scope of investment interventions that might encourage further commercial investment in other key growth locations in the Solent as well as to support and stimulate the delivery of other key development sites within the Solent.

FFPMG will wish to note that following the redefinition of their remit, Homes England is undertaking their final development on land they own at the Gosport Waterfront. It should be noted that this is being considered within

the wider work commissioned by the Solent LEP on the Gosport Infrastructure Investment Plan. This work is due to report to the main LEP Board in October 2018.

Annex A: Solent Enterprise Zone at Daedalus – Report on the retained rates scheme.
A confidential report will be considered at the meeting

13.09.2018

Item 6a

Finance update

Item: 6a

Title: Solent LEP Financial Report to 31 July 2018

Date: 13 September 2018

Purpose: For approval

1. Introduction

- 1.1 This report provides the Funding, Finance and Performance Management Group (FFPMG) with the financial position of all the LEP funds to 31 July 2018.
- 1.2 The budgets are as approved at the Board meeting on 13 July 2018. The report sets out the projected outturn for the 2018/19 financial year, looking to maximise the expenditure on all of the time-limited funds and in particular the Local Growth Deal, where the high value schemes are funded from.
- 1.3 It explains any material forecast variances together with any mitigation proposals and considers whether any likely underspends can and should be carried forward into the following financial year or if there is a requirement to return any funding to government. The budget for future years also takes into account any known re-phasing of expenditure as individual schemes and programmes become more certain.

2. Purpose of the report

- 2.1 To inform the FFPMG of:
- The forecast expenditure for the 2018/19 financial year compared with the approved budget;
 - The slippage or underspending carried forward into the 2019/20 financial year;
 - The phasing of budgets for future years highlighting movements (acceleration or slippage of programmes) between years;
 - The identification of funding that is, or may potentially be, required to be returned to government;
 - The updated Corporate and Strategic Risk Register for review attached as appendix C;
 - The Growing Places Loan Fund status attached as appendix D;
 - The latest Local Growth Deal programme summary attached as appendix E ;
 - A Local Growth Deal high level deliverability matrix as attached at appendix F;
 - Any risks in respect of budgeted expenditure with suggested mitigating action.

3. Recommendations

- 3.1 It is recommended that the FFPMG:
- (i) Endorse the revised budget for 2018/19 of £43,872,240 as set out in appendix A and the revised budget for the period 2019/20 to 2021/22 as set out in appendix B and recommend it for approval by the LEP Board on 19th October 2018 which includes the following:
- The latest position of the Local Growth Deal Fund for the current financial year as set out in appendix E noting the challenges around future delivery as set out in paragraphs 4.2 and 7.1 of this report.
 - The re-profiling and budget movements as set out in the table in paragraph 6 overleaf.

The FFPMG are also asked to:

- Note the Corporate and Strategic Risk Register attached at appendix C

- The current position of the Growing Places Fund as summarised in appendix D
- Note the latest forecast position on the Local Growth Deal programme as attached at appendix E, particularly in light of the key risks identified in this report
- Note the high level LGD Risk Matrix for the Local Growth Programme attached at appendix F.

4. Forecast Outturn 2018/19:

	£000's
Budget agreed at the LEP Board on 13th July 2018	46,872
No changes forecast to date	-
Revised Budget / Forecast Outturn for 2018/19	46,872

- 4.1 This report contains the actual expenditure up to 31st July 2018 and the key movements following the last approval of the budget at the Board meeting on 13th July 2018. A detailed analysis of the financial position and the forecast outturn for the current financial year is attached at appendix A
- 4.2 The expenditure to date is low compared to budget which is in the main due to the larger projects either being in due diligence prior to contract signature and others that are due to submit claims in the coming months. The LEP Executive team are pro-actively working with project leads to ensure that claims for significant amounts of expenditure are received in quarter 3 which will be reflected in future financial updates. It is therefore expected that when the financial position is reported as at December 2018 the level of actual expenditure will be considerably higher.

Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed from this report including;

- **information relating to an individual, and;**
- **information relating to the financial or business affairs of any particular person (including the authority holding that information)**

5. **Growing Places Loan Fund (GPL)**

The Board have agreed that, as the LGD is now past its half way point, there is no longer a need to use GPL funding for over programming. Instead it was agreed to make the full balance of the fund of £9.3m available for the Solent Prosperity Fund.

The latest position of the fund is set out in appendix D.

6. **Budget movements**

An analysis of the LEP's final outturn and total forecast expenditure for the period 2018/19 to 2021/22 together with how this is funded is attached at appendix B. The details of the re-profiling of budgets that have taken place since the Board last approved the budget are shown in the table below:

	Previous Years to 2017/18	2018/19 £000's	2019/20 £000's	2020/21 £000's	2021/22 £000's	Total £000's
Budget Agreed at LEP Board 13th July 2018	132,672	46,872	39,256	25,120	6,663	250,583
Removal of Solent Accelerated Housing GPL allocation (note 1)		(3,000)				(3,000)
Removal of LGD over programming (underwritten by GPL Fund)				(3,000)		(3,000)
Additional GPL Funding available for Solent Prosperity Fund					3,000	3,000
Revised Budget		43,872	39,256	22,120	9,663	247,583
Cumulative Net GPL Fund Reserve Balance (see appendix D for details)		7,713	6,488	9,263	0	0

Note 1: The FPPMG are asked to note that the overall budget for the LEP to 2021/22 as reported at the July Board meeting has decreased by £3m (from £250,583,000 to £247,583,00) now that the Growing Places Loan allocation for the Solent Accelerated Housing project has been withdrawn. The financial forecasts had correctly assumed that GPL funding set aside for this project would be repaid however as it is not currently proceeding, the £3m will not be recycled and therefore is not available for future use.

Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed from this report including;

- **information relating to an individual, and;**
- **information relating to the financial or business affairs of any particular person (including the authority holding that information)**

A High Level Delivery Risk Matrix is attached as appendix F highlighting the current risk status of each LGD project.

7. Operational Costs

The operational costs of the LEP will, where possible, continue to be recharged to the programmes that are actually being supported. By taking this approach it maximises the ability to use the other generic core funding across a number of years to ensure that a sustainable budget remains in place for the operation of the LEP where programme funding may be less certain. The recharges for 2018/19 are currently being reviewed and it is anticipated that an updated position will be brought to the mid-year review, along with any recommendations to vary funding between budget headings and / or financial years.

The operational costs of the LEP are also kept under review by the Search, Employment and Remuneration Committee, which meets again on 16 November 2018. Part of the remit of this committee is to review the ongoing operational costs to ensure that they remain within affordability limits and critically also at a level where there are sufficient resources in place to allow the LEP and Accountable body to discharge its obligations.

8. Enterprise Zone (EZ) Business Rates

The business rates relief incentive available to SMEs locating onto the EZ expired on 31 March 2018 and the LEP were asked to investigate ways of continuing to incentivise businesses to re-locate to the EZ.

The FPPMG will however be aware that there are commitments of £16.2m of the forecast business rates due to be received for the EZ, so it is important to ensure that this obligation can be met before any further financial commitments are made.

Independent consultants, who produced the initial report on the level of rates that could be expected from the EZ, were re-commissioned to provide advice on what incentives the LEP may want to consider providing going forward and a report on their findings can be found at item 5 on this agenda.

9. Risk Register update

Alongside the high level delivery matrix for LGD projects at appendix F we are now also monitoring corporate and strategic risk in relation to delivery of outputs under the LGD. The LEP performance has been rated by HMG as "good" in this regard for 2016/17 and there is a need to ensure that, as a minimum, this level of performance is maintained. A wider corporate and strategic risk register is attached at appendix C which reflects the key risks the LEP faces, in particular the concerns around the delivery of the LGD programme.

A separate item considering the LEP Risk Management framework is attached at item 6b on this agenda.

10. Summary

The forecast outturn against the approved budget for 2018/19 is set out in appendix A, which at present shows no movement from the latest position agreed by the Board. It is clear from this report where the main financial risks are and the FPPMG are asked to consider the latest information available and provide advice to the Board accordingly, in order to ensure that mitigating actions can be taken to help maximise the defrayal of expenditure within the timelines set by Government.

SOLENT LOCAL ENTERPRISE PARTNERSHIP - FORECAST OF OUTTURN FOR 2018/19

Enterprise (Business Support)	Full Year Budget 2018/19*	Actual Expenditure up to 31 July 2018	Full Year Forecast and Proposed Revised Budget	Full Year Variance as at 31 March 19 Over / (Underspend)	Acceleration or Programme Slippage to be carried forward to 2019/20	Overspend to be funded / (Underspend to be Re-allocated)	New funding from / (Funding to be handed back to) Government
	£	£	£	£	£	£	£
Local Growth Deal Funding:							
SME Support - Solent Prosperity Fund	1,220,849	152,863	1,620,849	400,000	400,000	0	0
ERDF BTG - Awards (ERDF Funded)	415,554	25,092	415,554	0	0	0	0
ERDF BTG - Awards (LGD Match Funded)	426,190	130,437	426,190	0	0	0	0
Other Enterprise Initiatives:							
Solent Growth Hub	217,941	21,285	217,941	0	0	0	0
Enterprise Total	2,280,534	250,781	2,680,534	400,000	400,000	0	0
Infrastructure (Land & Property)							
	£	£	£	£	£	£	£
Growing Places Fund Loans:							
Stubbington Bypass	3,500,000	0	3,500,000	0			
Growing Places Loan Fund: Capital Loans Advanced	3,500,000	0	3,500,000	0	0	0	0
GPL Contingency Provisions and Programme Management costs							
IoW Core Composites College Contingency	0	0	0	0	0	0	0
Growing Places Loan Fund Programme Management Costs	149,484	4,823	149,484	0	0	0	0
Sub-total: GPL Contingency Provisions and Programme Management costs	149,484	4,823	149,484	0	0	0	0
Solent Growth Deal:							
North Whiteley Transport Improvements	1,223,233	0	1,223,233	0	0	0	0
National Maritime Systems Centre	2,570,666	0	2,570,666	0	0	0	0
Local Large Majors (Solent Metro and SAEG)	660,503	24,210	660,503	0	0	0	0
Programme Development Fund (feasibilities)	223,500	0	223,500	0	0	0	0
Solent Growth Deal - Programme Management Costs	368,282	84,865	368,282	0	0	0	0
Stubbington Bypass - LGD forward funding	3,500,000	0	3,500,000	0	0	0	0
Fareham College - Civil Engineering Training Centre	2,833,000	0	2,833,000	0	0	0	0
Southampton Solent University - Warsash School of Maritime Science and Engineering	5,164,000	0	5,164,000	0	0	0	0
Solent Prosperity Fund	1,350,000	0	1,350,000	0	0	0	0
(Over) / Under Programming	11,117,464	0	10,717,464	(400,000)	(400,000)	0	0
Sub-total - Local Growth Deal	29,010,648	109,075	28,610,648	(400,000)	(400,000)	0	0
DfT Retained Schemes							
Stubbington Bypass	2,000,000	0	2,000,000	0	0	0	0
Growth deal provisional allocation for M27 Junction 10 (post 2016)	1,500,000	0	1,500,000	0	0	0	0
Sub-total - DfT Retained Schemes	3,500,000	0	3,500,000	0	0	0	0
Other Capital Funding Programmes:							
Building Foundations for Growth Capital Grant for EZ	417,783	0	417,783	0	0	0	0
Other Infrastructure Funding:							
Capacity funding	174,514	22,165	174,514	0	0	0	0
One Public Estate	5,000	0	5,000	0	0	0	0
Transport Delivery Excellence Funding	52,000	0	52,000	0	0	0	0
Energy strategy	39,770	14,657	39,770	0	0	0	0
Infrastructure (Land & Property) Total	36,849,199	150,720	36,449,199	(400,000)	(400,000)	0	0

Place	Full Year Budget 2018/19*	Actual Expenditure up to 31 July 2018	Full Year Forecast and Proposed Revised Budget	Full Year Variance as at 31 March 19 Over / (Underspend)	Acceleration or Programme Slippage to be carried forward to 2019/20	Overspend to be funded / (Underspend to be Re-allocated)	New funding from / (Funding to be handed back to) Government
	£	£	£	£	£	£	£
Capacity Funding	100,667	5,601	100,667	0	0	0	0
Place Total	100,667	5,601	100,667	0	0	0	0

Skills	Full Year Budget 2018/19*	Actual Expenditure up to 31 July 2018	Full Year Forecast and Proposed Revised Budget	Full Year Variance as at 31 March 19 Over / (Underspend)	Acceleration or Programme Slippage to be carried forward to 2019/20	Overspend to be funded / (Underspend to be Re-allocated)	New funding from / (Funding to be handed back to) Government
	£	£	£	£	£	£	£
City Deal Wave 2:							
Capacity funding	149,723	22,354	149,723	0	0	0	0
Solent Employer Ownership Programme	46	0	46	0	0	0	0
Enterprise Adviser Network	358,679	15,583	358,679	0	0	0	0
Enterprise Adviser Network - Programme Management	0	11,403	0	0	0	0	0
Skills Total	508,448	49,340	508,448	0	0	0	0

Strategic Sectors	Full Year Budget 2018/19*	Actual Expenditure up to 31 July 2018	Full Year Forecast and Proposed Revised Budget	Full Year Variance as at 31 March 19 Over / (Underspend)	Acceleration or Programme Slippage to be carried forward to 2019/20	Overspend to be funded / (Underspend to be Re-allocated)	New funding from / (Funding to be handed back to) Government
	£	£	£	£	£	£	£
Martime Supplement: Capacity Funding	87,398	12,881	87,398	0	0	0	0
Strategic Sectors Total	87,398	12,881	87,398	0	0	0	0

Innovation	Full Year Budget 2018/19*	Actual Expenditure up to 31 July 2018	Full Year Forecast and Proposed Revised Budget	Full Year Variance as at 31 March 19 Over / (Underspend)	Acceleration or Programme Slippage to be carried forward to 2019/20	Overspend to be funded / (Underspend to be Re-allocated)	New funding from / (Funding to be handed back to) Government
	£	£	£	£	£	£	£
Saab SeaEye	2,500,000	0	2,500,000	0			
Innovation Fund - Programme Management	40,457	24,423	40,457	0	0	0	0
Capacity Funding	79,320	75	79,320	0	0	0	0
Innovation Total	2,619,777	24,498	2,619,777	0	0	0	0

Operational Central Costs	Full Year Budget 2018/19*	Actual Expenditure up to 31 July 2018	Full Year Forecast and Proposed Revised Budget	Full Year Variance as at 31 March 19 Over / (Underspend)	Acceleration or Programme Slippage to be carried forward to 2019/20	Overspend to be funded / (Underspend to be Re-allocated)	New funding from / (Funding to be handed back to) Government
	£	£	£	£	£	£	£
Staffing costs	500,000	91,981	500,000	0	0	0	0
Office costs	95,000	17,960	95,000	0	0	0	0
Finance costs including forecast costs for Democratic Services for future years	80,000	19,646	80,000	0	0	0	0
Legal support	50,000	2,800	50,000	0	0	0	0
Marketing & Communication costs	130,000	15,109	130,000	0	0	0	0
Contingency	275,000	0	275,000	0	0	0	0
Solent Economic Plan and Structural Investment Fund	256,565	26,118	256,565	0	0	0	0
SEEDA legacy funding for business engagement	31,396	0	31,396	0	0	0	0
LEP Network	8,256	6,000	8,256	0	0	0	0
Operational Central Costs Total	1,426,217	179,614	1,426,217	0	0	0	0

Total LEP Budget	43,872,240	673,435	43,872,240	0	0	0	0
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* As agreed at LEP Board 13th July 2018

SOLENT LOCAL ENTERPRISE PARTNERSHIP - BUDGET FORECAST TO 2021/22

ENTERPRISE (BUSINESS SUPPORT)		Actual Expenditure to end 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Total Budget	Total Forecast Expenditure	Variance
Solent RGF - Bridging the Gap:									
Awards		4,950,716	0	0	0	0	4,950,716	4,950,716	-
Due Diligence		381,906	0	0	0	0	381,906	381,906	-
RGF Solent EZ expansion Fund - Gosport Borough Council - Fund		800,000	-	-	-	-	800,000	800,000	-
RGF Solent EZ expansion Fund - Gosport Borough Council - Due Diligence		82,105	0	0	0	0	82,105	82,105	-
RGF 3 IOW Private Sector Support - Fund		475,000	-	-	-	-	475,000	475,000	-
RGF 3 IOW Private Sector Support - Due Diligence		110,202	0	0	0	0	110,202	110,202	-
Solent Growth Fund (Growth deal - 2015/16 to 2021) / - SME Support from Solent Prosperity Fund (2018/19 to 2020/21)		988,277	1,500,000	1,500,000	1,500,000	-	5,488,277	5,488,277	-
ERDF BTG - Awards (ERDF Funded)		84,446	415,554	500,000	-	-	1,000,000	1,000,000	-
ERDF BTG - Awards (LGD Match Funded)		73,810	426,190	500,000	-	-	1,000,000	1,000,000	-
Natural Enterprise Grant Programme		580,000	-	-	-	-	580,000	580,000	-
Matched funding for ERDF Growth Accelerator Fund		-	-	-	-	-	0	0	-
Solent Growth Fund (Growth deal - 2015/16 to 2021) - Programme Management		479,151	120,849	150,000	150,000	-	900,000	900,000	-
Solent Growth Hub (Growth deal - 2015/16 to 2021)		673,059	217,941	218,000	250,000	-	1,359,000	1,359,000	-
Improving Digital Capability for SME's		112,502	0	0	0	0	112,502	112,502	-
Enterprise Total		9,791,175	2,680,534	2,868,000	1,900,000	0	17,239,709	17,239,709	-
INFRASTRUCTURE (Land & Property)		Actual Expenditure to end 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22	Total Budget	Total Forecast Expenditure	Variance
Growing Places Fund: Original Capital Allocation									
CEMAST		3,000,000	-	-	-	-	3,000,000	3,000,000	-
Solent EZ Infrastructure package		8,000,000	-	-	-	-	8,000,000	8,000,000	-
Griffon Hoverwork		2,000,000	-	-	-	-	2,000,000	2,000,000	-
Stubbington Bypass			3,500,000	-	-	-	3,500,000	3,500,000	-
Solent Shared Prosperity Fund (loan element)			-	-	-	9,262,916	9,262,916	9,262,916	-
Growing Places Loan Fund:									
Funding set aside to underwrite LGD over programming if required							0	0	-
Growing Places Loan Fund: Capital Loans Advanced / Available		13,000,000	3,500,000			9,262,916	25,762,916	25,762,916	-
Grants allocated (not repayable)									
Stubbington Bypass indemnity		-	-	1,500,000	-	-	1,500,000	1,500,000	-
Funding set aside to underwrite LGD overprogramming if required		-	-	-	-	-	0	0	-
Use of Fund for other Purposes (not repayable):									
- Growing Places Loan Fund Programme Management Costs		150,516	149,484	-	-	-	300,000	300,000	-
Growing Places Loan Fund: Fund used and not repayable		150,516	149,484	1,500,000	-	-	1,800,000	1,800,000	-

Solent Growth Deal confirmed funding:								
The Hard Interchange (PCC)	4,832,000	-	-	-	-	4,832,000	4,832,000	-
Dunsbury Hill Farm Link Road (PCC)	4,540,000	-	-	-	-	4,540,000	4,540,000	-
Station Quarter North (SCC)	4,185,000	-	-	-	-	4,185,000	4,185,000	-
Station Roundabout / Gudge Heath Lane (HCC)	4,953,893	-	-	-	-	4,953,893	4,953,893	-
Cancer Immunology Centre	4,500,000	-	-	-	-	4,500,000	4,500,000	-
Environmental Mitigation - Solent Mitigation Disturbance project	1,355,000	-	-	-	-	1,355,000	1,355,000	-
Peel Common Roundabout and St Margarets Roundabout	4,340,000	-	-	-	-	4,340,000	4,340,000	-
Newgate Lane South	9,000,000	-	-	-	-	9,000,000	9,000,000	-
Fareham and Gosport multiyear programme (A27 Dualling - phase 2)	3,198,000	-	-	-	-	3,198,000	3,198,000	-
Fareham and Gosport multiyear programme (A27 Dualling)	4,127,000	-	-	-	-	4,127,000	4,127,000	-
Solent Gateways (Isle of Wight Floating Bridge)	3,776,782	-	-	-	-	3,776,782	3,776,782	-
<i>North Whiteley Transport improvements</i>	-	1,223,233	2,020,737	10,756,030	-	14,000,000	14,000,000	-
National Maritime Systems Centre	1,679,334	2,570,666	750,000	-	-	5,000,000	5,000,000	-
Local Large Majors (Solent Metro and SAEG)	339,497	660,503	-	-	-	1,000,000	1,000,000	-
BAE Marine Workshops and Maritime Support Centre	943,066	-	-	-	-	943,066	943,066	-
Regeneration Investment to unlock sites for growth	-	-	-	-	-	0	0	-
Programme Development Fund (feasibilities)	-	223,500	-	-	-	223,500	223,500	-
Fareham and Gosport Multi Year Programme - Design and Construction of Junction 10	-	-	7,750,000	6,400,000	-	14,150,000	14,150,000	-
Stubbington Bypass - LGD forward funding	3,500,000	3,500,000	(7,000,000)	-	-	0	0	-
Fareham College - Civil Engineering Training Centre	-	2,833,000	-	-	-	2,833,000	2,833,000	-
Southampton Solent University - Warsash School of Maritime Science and Engineering	2,300,000	5,164,000	-	-	-	7,464,000	7,464,000	-
Solent Growth Deal - Programme Management Costs	1,017,760	368,282	250,000	242,260	-	1,878,302	1,878,302	-
Solent Prosperity Fund	-	1,350,000	2,600,000	1,653,808	-	5,603,808	5,603,808	-
Accountable Body Capital Expenditure (Funded by LGD to maximise use of LGD)	1,000,000	-	-	-	-	1,000,000	1,000,000	-
(Over) / Under Programming	-	10,717,464	731,949	(11,449,413)	-	0	0	-
SUB TOTAL: Solent Growth Deal:	59,587,332	28,610,648	7,102,686	7,602,685	-	102,903,351	102,903,351	-
DfT Retained Schemes								
Stubbington Bypass	-	2,000,000	18,000,000	5,700,000	-	25,700,000	25,700,000	-
<i>Growth deal provisional allocation for M27 Junction 10 (post 2016)</i>	-	1,500,000	7,900,000	5,500,000	-	14,900,000	14,900,000	-
SUB TOTAL: DfT Retained Schemes:	-	3,500,000	25,900,000	11,200,000	-	40,600,000	40,600,000	-
Building Foundations for Growth Capital Grant for EZ	6,672,217	417,783	-	-	-	7,090,000	7,090,000	-
Centenary Quay (DCLG Infrastructure House Building Capital Fund)	7,675,921	-	-	-	-	7,675,921	7,675,921	-
Capacity Funding	200,486	174,514	100,000	-	-	475,000	475,000	-
One Public Estate	14,950	5,000	-	-	-	19,950	19,950	-
Transport Delivery Excellence Funding	-	52,000	-	-	-	52,000	52,000	-
Energy Strategy	10,230	39,770	-	-	-	50,000	50,000	-
Infrastructure (Land & Property) Total	87,311,652	36,449,199	34,602,686	18,802,685	9,262,916	186,429,138	186,429,138	-

PLACE	Actual Expenditure to end 2017/18
Capacity funding	204,333
Place Total	204,333

Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
100,667	30,000	-	-
100,667	30,000	0	0

Total Budget	Total Forecast Expenditure	Variance
335,000	335,000	-
335,000	335,000	-

SKILLS	Actual Expenditure to end 2017/18
CEMAST - Fareham College	3,000,000
CEMAST - Due Diligence	63,780
<u>Solent Growth deal FE Capital (2015/16 - 2021)</u>	
Eastleigh College Estates Renewal	9,000,000
IOW College Composites Centre	10,900,000
Capacity funding	227,415
Solent Employer Ownership Programme	1,499,954
Solent Employer Ownership Programme - Local Growth Deal contribution	129,000
Enterprise Adviser Network	350,321
Skills Total	25,170,470

Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
149,723	60,000	-	-
46	-	-	-
-	-	-	-
358,679	260,000	86,000	-
508,448	320,000	86,000	0

Total Budget	Total Forecast Expenditure	Variance
3,000,000	3,000,000	-
63,780	63,780	-
9,000,000	9,000,000	-
10,900,000	10,900,000	-
437,138	437,138	-
1,500,000	1,500,000	-
129,000	129,000	-
1,055,000	1,055,000	-
26,084,918	26,084,918	-

STRATEGIC SECTORS	Actual Expenditure to end 2017/18
<u>Solent Futures RGF Round 3:</u>	
Training Scheme - Awards	1,300,000
Training Scheme - Due Diligence	159,000
Supply Chain - Awards	1,179,419
Supply Chain - Due Diligence	117,000
<u>MARITIME SUPPLEMENT</u>	
Capacity funding	142,602
Strategic Sectors Total	2,898,021

Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
87,398	30,000	-	-
87,398	30,000	0	0

Total Budget	Total Forecast Expenditure	Variance
1,300,000	1,300,000	-
159,000	159,000	-
1,179,419	1,179,419	-
117,000	117,000	-
260,000	260,000	-
3,015,419	3,015,419	-

INNOVATION	Actual Expenditure to end 2017/18
Fareham Innovation Centre - Phase 2	2,000,000
Saab SeaEye	0
Innovation Fund - Programme Management Costs	209,543
Local Growth Deal Fund - Innovation Projects	
University of Portsmouth Future Technology Centre (LGD contribution)	1,050,000
BAE Maritime and Test Bed	456,633
UoS - Web Science (Z21)	500,000
Capacity Funding	70,680
Innovation	4,286,856

Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
0	0	0	0
2,500,000	0	0	0
40,457	0	0	0
-	-	-	-
-	-	-	-
-	-	-	-
79,320	30,000	-	-
2,619,777	30,000	0	0

Total Budget	Total Forecast Expenditure	Variance
2,000,000	2,000,000	-
2,500,000	2,500,000	-
250,000	250,000	-
1,050,000	1,050,000	-
456,633	456,633	-
500,000	500,000	-
180,000	180,000	-
6,936,633	6,936,633	0

OPERATIONAL CENTRAL COSTS	Actual Expenditure to end 2017/18
Staffing costs	1,254,244
Office costs	427,809
Finance costs incl forecast costs for Democratic Services for future years	298,968
Legal support	154,905
Marketing & Communication costs	242,483
Contingency	-
Solent Economic Plan and Structural Investment Fund	607,425
SEEDA legacy funding for business engagement	-
LEP Network	24,000
Operational Central Costs Total	3,009,834

Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
500,000	500,000	500,000	300,000
95,000	95,000	95,000	50,000
80,000	80,000	80,000	30,000
50,000	50,000	50,000	20,000
130,000	100,000	100,000	-
275,000	275,000	255,365	-
256,565	275,000	251,027	-
31,396	-	-	-
8,256	-	-	-
1,426,217	1,375,000	1,331,392	400,000

Total Budget	Total Forecast Expenditure	Variance
3,054,244	3,054,244	-
762,809	762,809	-
568,968	568,968	-
324,905	324,905	-
572,483	572,483	-
805,365	805,365	-
1,390,017	1,390,017	-
31,396	31,396	-
32,256	32,256	-
7,542,443	7,542,443	-

LEP BUDGET GRAND TOTAL	Actual Expenditure to end 2017/18
	132,672,340

Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
43,872,240	39,255,686	22,120,077	9,662,916

Total Budget	Total Forecast Expenditure	Variance
247,583,259	247,583,259	-

FUNDING SUMMARY	Actual Expenditure to end 2017/18
Bridging the Gap Phase 1	1,969,678
Bridging the Gap ERGF (Solent Wide)	1,387,307
Bridging the Gap Phase 2	1,881,981
RGF Solent EZ expansion Fund - Gosport Borough Council	882,105
RGF 3 IOW SME Support Fund	585,202
Solent Growth Deal	84,953,746
Temporary Local Growth Deal Switch with PCC Capital Resources	1,000,000
DfT Funding for Retained Schemes	-
DCLG Infrastructure House Building Capital Fund (CQ)	7,675,921
Solent Growth Hub	660,000
Solent Futures RGF Round 3	2,912,855
Growing Places Fund - Revenue	445,949
Growing Places Fund - Capital	13,000,000
Growing Places Fund - Contingency Provisions and Programme Management Costs	423,356
Solent Futures	3,000,000
Solent Employer Ownership Programme (Wave 2 City Deal)	1,499,954
The Careers & Enterprise Co. - Enterprise Adviser Network	237,000
Enterprise Adviser Network (Match Funding)	138,321
Cabinet Office - One Public Estate	14,950
Enterprise Zone Capital Grant	6,672,217
DfT - LTB Funding	131,580
SEP	627,698
Transport Excellence	36,000
BIS - Capacity Fund	387,063
BIS - Core Funding	875,000
BAE Contribution to future of Portsmouth	-
PUSH	30,000
Push Inward investment contribution	-
Growing Places Capital - CEMAST admin fee	75,000
LEP Network	13,900
Interest earned on funding yet to pay out	650,881
Local Authority Funding - PUSH, Hampshire & IOW	300,000
SEEDA legacy funding for business engagement	-
BIS - Digital Capability for SME's	110,000
Transport Delivery Excellence Funding	-
Energy Strategy Funding (BEIS)	10,230
ERDF Funding - Bridging the Gap (matched funding SGF)	84,446
Grant Total - Funding	132,672,340

Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
33,198,143	9,252,686	9,252,686	-
-	-	-	-
3,500,000	25,900,000	11,200,000	-
-	-	-	-
-	-	410,000	-
-	-	-	-
455,000	383,258	130,473	-
3,500,000	-	-	9,262,916
1,102,938	2,025,000	425,000	-
-	-	-	-
46	-	-	-
130,000	130,000	43,000	-
203,679	130,000	43,000	-
5,000	-	-	-
417,783	-	-	-
-	-	-	-
193,921	47,420	30,961	-
-	-	-	-
189,737	250,000	-	-
169,728	325,000	505,272	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
77,545	312,322	79,685	400,000
-	-	-	-
200,000	-	-	-
31,396	-	-	-
42,000	-	-	-
39,770	-	-	-
415,554	500,000	-	-
43,872,240	39,255,686	22,120,077	9,662,916

Total Budget
1,969,678
1,387,307
1,881,981
882,105
585,202
136,657,261
1,000,000
40,600,000
7,675,921
1,070,000
2,912,855
1,414,680
25,762,916
3,976,294
3,000,000
1,500,000
540,000
515,000
19,950
7,090,000
131,580
900,000
36,000
826,800
1,875,000
-
30,000
-
75,000
13,900
1,520,433
300,000
200,000
141,396
42,000
50,000
1,000,000
247,583,259

Growing Places Fund - Forecast Reserve for Future Projects
Net Cumulative Growing Places Reserve Forecast - see appendix D for details

Budget 2018/19	Budget 2019/20	Budget 2020/21	Budget 2021/22
7,712,916	6,487,916	9,262,916	(0)

Total Budget
(0)

TOTAL FUNDING TO SUPPORT LEP ACTIVITY	247,583,259
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APPENDIX C - RISK REGISTER

A confidential report will be considered at the meeting

GROWING PLACES LOAN FUND POSITION

Fund Activity	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	2021/22 £	Total £
Opening Balance	0	(10,064,210)	(5,889,210)	(9,108,371)	(10,214,945)	(11,915,855)	(7,712,916)	(6,487,916)	(9,262,916)	
Capital Injection	(16,739,210)									(16,739,210)
<u>Loans Out (Round 1 - tranches 1 to 4):</u>										
CEMAST	2,175,000	825,000								3,000,000
Solent EZ Infrastructure package	4,500,000	3,500,000								8,000,000
Griffon Hoverwork		1,000,000	1,000,000							2,000,000
<u>Subsequent Allocations:</u>										0
Stubbington Bypass (Note 1)						3,500,000				3,500,000
<u>New Solent Shared Prosperity Fund (loan element)</u>									9,262,916	9,262,916
Sub-total: Loans Advanced	6,675,000	5,325,000	1,000,000	0	0	3,500,000	0	0	9,262,916	25,762,916
Contingency Provisions										
Local Growth Deal:										
Stubbington Bypass indemnity							1,500,000			1,500,000
Operational Costs			230,839	42,000	0	953,455	525,000	425,000		2,176,294
Sub-total: Contingency Provisions	0	0	230,839	42,000	0	953,455	2,025,000	425,000	0	3,676,294
Growing Places Loan Fund Programme Management Costs			75,000	51,426	24,090	149,484				300,000
Total: Contingency Provisions and Growing Places Loan Programme Management Costs	0	0	305,839	93,426	24,090	1,102,939	2,025,000	425,000	0	3,976,294
<u>Loans repaid (Capital Receipts)</u>										
<u>Round 1</u>										
CEMAST		(300,000)	(575,000)	(800,000)	(1,325,000)					(3,000,000)
Solent EZ Infrastructure package		(850,000)	(3,950,000)					(3,200,000)		(8,000,000)
Griffon Hoverwork				(400,000)	(400,000)	(400,000)	(800,000)			(2,000,000)
	0	(1,150,000)	(4,525,000)	(1,200,000)	(1,725,000)	(400,000)	(800,000)	(3,200,000)	0	(13,000,000)
Sub-total: Total Planned Fund Repayments	0	(1,150,000)	(4,525,000)	(1,200,000)	(1,725,000)	(400,000)	(800,000)	(3,200,000)	0	(13,000,000)
TOTAL CUMULATIVE BALANCE OF FUND AVAILABLE (Note 2)						(7,712,916)	(6,487,916)	(9,262,916)	0	**

Notes:

1. The loan for the Stubbington Bypass project will be repaid but repayments do not start until until 2023/24

SOLENT LOCAL ENTERPRISE PARTNERSHIP - LOCAL GROWTH DEAL FUNDING BY SCHEME (NET OF DfT RETAINED SCHEME FUNDING)							
SCHEME NAME	Actual 2015/16	Actual 2016/17	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget
Solent Growth Fund (Growth deal - 2015/16 to 2021) / - SME Support from Solent Prosperity Fund (2018/19 to 2020/21)	355,932	1,405,872	306,473	1,500,000	1,500,000	1,500,000	6,568,277
LGD matched funding towards the ERDF grants programme			73,810	426,190	500,000		1,000,000
Solent Growth Fund (Growth deal - 2015/16 to 2021) - Programme Management	150,500	149,500	179,150	120,850	150,000	150,000	900,000
The Hard Interchange (PCC)	4,832,000	-	-	-	-	-	4,832,000
Dunsbury Hill Farm Link Road (PCC)	4,540,000	-	-	-	-	-	4,540,000
Station Quarter North (SCC)	4,185,000	-	-	-	-	-	4,185,000
Station Roundabout / Gudge Heath Lane (HCC)	2,065,000	2,888,893	-	-	-	-	4,953,893
Cancer Immunology Centre	4,500,000	-	-	-	-	-	4,500,000
Environmental Mitigation - Solent Mitigation Disturbance project	1,355,000	-	-	-	-	-	1,355,000
Eastleigh College Estates Renewal	6,810,000	2,190,000	-	-	-	-	9,000,000
IOW College Composites Centre	5,400,000	5,500,000	-	-	-	-	10,900,000
Capitalisation Costs for Solent Growth Deal Programme Management and Capacity funding	300,000	344,997	372,762	368,282	250,000	242,261	1,878,302
Peel Common Roundabout and St Margarets Roundabout	4,340,000	-	-	-	-	-	4,340,000
Newgate Lane South	-	6,072,571	2,927,429	-	-	-	9,000,000
Fareham and Gosport multiyear programme (A27 Dualling - phase 2)	-	3,198,000	-	-	-	-	3,198,000
Fareham and Gosport multiyear programme (A27 Dualling)	-	4,127,000	-	-	-	-	4,127,000
Solent Gateways (Isle of Wight Floating Bridge)	-	3,776,782	-	-	-	-	3,776,782
Innovation Fund - Fareham Innovation Centre - Phase 2		2,000,000					2,000,000
Innovation Fund - Programme Management Costs		75,000	134,544	40,456			250,000
Innovation Fund - BAE Maritime and Test Bed		456,633					456,633
Innovation Fund - Saab SeaEye				2,500,000			2,500,000
Innovation Fund - Future Technology Centre (University of Portsmouth)		1,050,000					1,050,000
Contribution to BAE Employer Ownership Programme Scheme		129,000					129,000
National Maritime Systems Centre		-	1,679,334	2,570,666	750,000		5,000,000
Local Large majors (Solent Metro and SAEG)		-	339,497	660,503			1,000,000
BAE Marine Workshops and Marine Support Centre		943,066					943,066
Solent Growth Deal Programme Development Fund		-		223,500			223,500
Stubbington Bypass (note 1)		3,500,000		3,500,000	(7,000,000)		0
Fareham College - Civil Engineering Training Centre				2,833,000			2,833,000
Southampton Solent University - Warsash School of Maritime Science and Engineering			2,300,000	5,164,000			7,464,000
North Whiteley (note 2)		-	-	1,223,233	2,020,737	10,756,030	14,000,000
Design and Construction of M27 Junction 10 (note 2)		-	-	-	7,750,000	6,400,000	14,150,000
Solent Prosperity Fund				1,350,000	2,600,000	1,653,808	5,603,808
SUB-TOTALS:	38,833,432	37,807,314	8,312,999	22,480,680	8,520,737	20,702,099	136,657,261
(Over) / Under programming				10,717,464	731,949	(11,449,413)	0
TOTAL EXPENDITURE ON APPROVED LOCAL GROWTH DEAL SCHEMES	38,833,432	37,807,314	8,312,999	33,198,144	9,252,686	9,252,686	136,657,261
Accountable Body Capital Expenditure (Funded by LGD to maximise use of LGD)	1,000,000		-	-	-	-	1,000,000
TOTAL UTILISATION OF LOCAL GROWTH DEAL	39,833,432	37,807,314	8,312,999	33,198,144	9,252,686	9,252,686	137,657,261
FUNDING AGREED / INDICATIVE ALLOCATIONS							
Solent Growth Deal Funding - received	40,391,667	42,640,334	24,302,028	10,817,860			118,151,889
Solent Growth Deal Funding - indicative					9,252,686	9,252,686	18,505,372
Capital Funding from Accountable Body (Returned)	-	1,000,000	-	-	-	-	1,000,000
Funding Slippage / Acceleration	(558,235)	(5,833,020)	(15,989,029)	22,380,284	-	-	-
TOTALS:	39,833,432	37,807,314	8,312,999	33,198,144	9,252,686	9,252,686	137,657,261
Variance:	0	0	0	0	0	0	0

Notes:

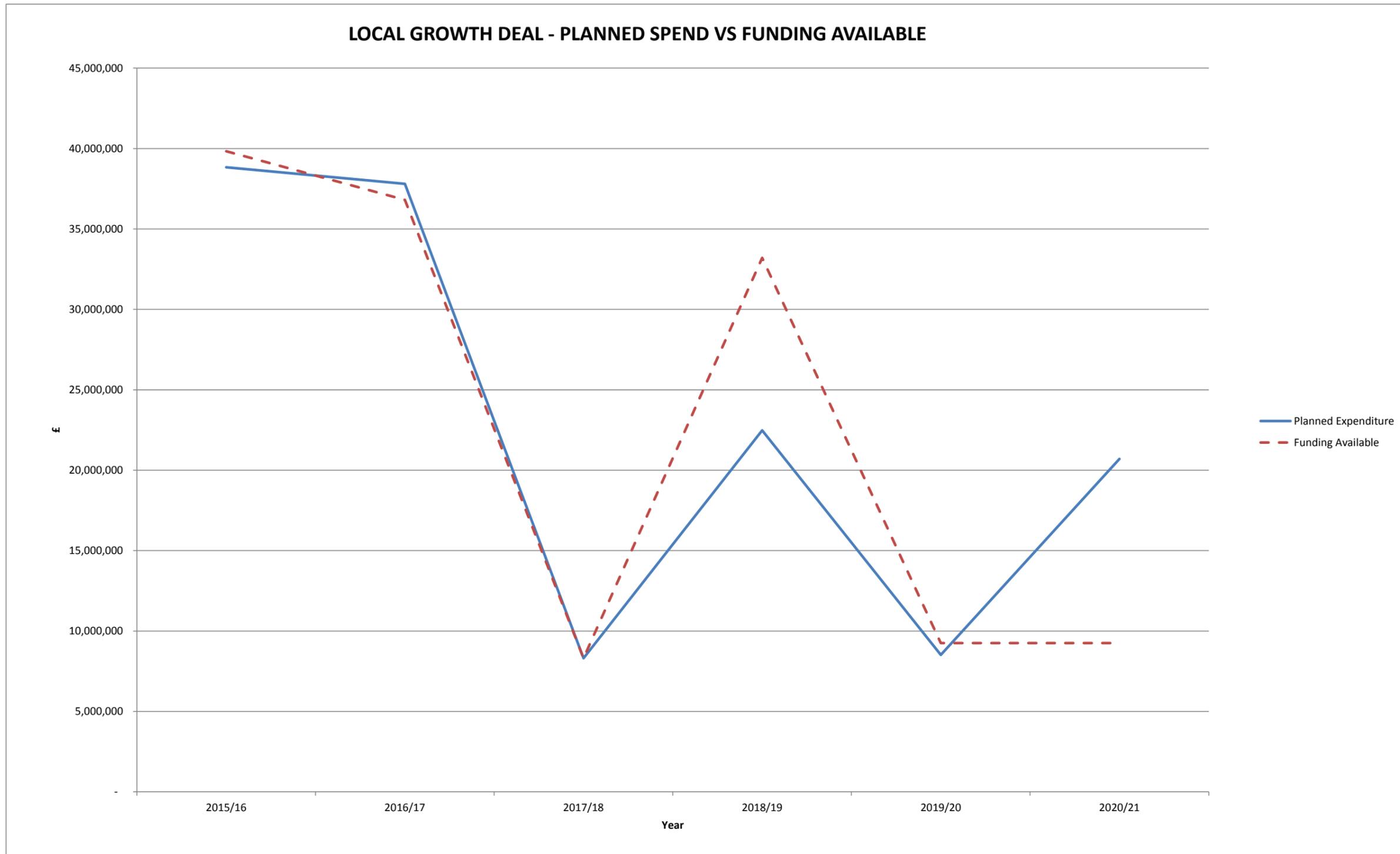
- The initial £3.5m allocation for Stubbington Bypass is at present an advance at risk from the LGD due to DfT not agreeing to release any retained scheme funding over £2m until final tendered costs are received in February 2019. The repayments to the LGD are assumed to be £1.5m from the GPL Fund and the £2m advanced by DfT. The further £3.5m advance programmed for 2018/19 is to reduce the borrowing costs that HCC would incur if they had to start financing the scheme early themselves. This will be replaced by the approved GPL allocation when it is required for other LGD projects
- The funding to enable both of these scheme to proceed is still subject to receiving the LGD allocations in future years

DfT RETAINED SCHEMES - FUNDING PROFILES

SCHEME NAME	Actual 2016/17	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget
Stubington Bypass	0	0	2,000,000	18,000,000	5,700,000	25,700,000
M27 Junction 10 (note a)	0	0	1,500,000	7,900,000	5,500,000	14,900,000
Totals:	-	-	3,500,000	25,900,000	11,200,000	40,600,000

Notes:

(a) The £1.5m in 2018/19 for the M27 Junction 10 scheme has been paid directly to HCC who are the accountable body for the development phase of the project.



APPENDIX F
Local Growth Deal High Level Deliverability Matrix

A confidential report will be considered at the meeting

13.09.2018

Item 6b

Update on Risk Management Framework

Item Number: 6 b
Item Title: Solent LEP - Risk Management
Meeting Date: 13 September 2018
Purpose: For Information and Decision

Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed from this report including;

- information relating to an individual, and;
- information relating to the financial or business affairs of any particular person (including the authority holding that information)

1. Draft Resolution

FFPMG are asked to:

- **Note** the update in relation to the PCC Internal Audit Report on risk management at Solent LEP and the associated action plan;
- **Consider** and **Agree** the proposal to update risk management process as set out in this report

2. Introduction

This report provides an update in relation to the PCC Internal Audit Report on risk management at Solent LEP and the associated action plan, considered by FFPMG at the meeting on 8 November 2017. The report also sets out the current risk management processes undertaken by the Solent LEP and includes an updated position which the LEP Executive and Accountable Body (AB) are proposing for adoption in order to further strengthen the management of risk.

3. Background

Further to the review of the risk management framework in the latter part of 2017, the LEP Executive and Accountable Body have continued to further develop the Operational Case Conference approach as follows:

- Extending the membership to include PCC legal representation;
- Reviewing the terms of reference for the group to ensure a resolute focus on risk management across all areas of LEP delivery;
- Recommending that FFPMG be included in the distribution list for the quarterly reports.

The next case conference meeting will be held on 26 September 2018, and the quarterly report and associated action plan will be presented to FFPMG for consideration at the next meeting.

In addition to the above, the Solent LEP has routinely looked at risk management through the development of a high level risk register which considers corporate risk and at a more detailed level there is also a Local Growth Deal (LGD) risk register in place which considers the status of all such activity.

The registers are regularly reported to the FFPMG and the LEP Board who are asked to consider and advise on the status of key corporate risks and risks linked to activity funded under the LGD. Formerly the assessment of risk has considered the probability of a risk occurring and its potential impact. This traffic light system does allow the

board, Accountable Body and executive to manage responses in accordance with the immediacy and impact of such risks and where appropriate consider and agree mitigation to manage them as needed.

More recently the framework has been updated to take account of the following:

- a. The HM Government approach to risk management under the Local Growth Deal which now considers and assesses risk on the basis of three key components:
 - Delivery
 - Finance
 - Reputation

Each element is scored (1 to 5) against a framework as attached in annex A and an overall score is then calculated.

- b. FPPMG also requested that the framework include an indication of changes in risk level in order that both FPPMG and the Board could take a more proactive approach to managing emerging risks as well as those rated red.

Annex A details these changes and the relevant descriptors that are used to inform the scoring of risk.

4. Update

The management of risk and supporting frameworks have been developed over time and they are now more comprehensive and do assist in supporting the work of the board and the operational management of the capital programme. There is, however, a need to look at improving the framework to take account of lessons learnt in relation to the delivery of the LGD capital programme and also to ensure that the LEP are well-positioned to respond positively to the anticipated update to the assurance framework that will be published by HM Government in the autumn of 2018.

Whilst LEPs have made significant progress in strengthening their accountability and transparency arrangements over the past few years, Government's greater ambitions for these institutions requires a renewed commitment to accountability and a strengthened approach to performance to ensure that LEPs operate to the highest standards.

The publication of the LEP Review on 24 July 2018 re-affirms the expectation of HM Government that LEPs should support their decision making with a robust evaluation of individual projects and interventions. Government have also confirmed that it has strengthened its approach to robust monitoring and intervention, providing additional guidance to LEPs in relation to the assurance framework and they now want to build on this progress and go further. This includes ensuring that LEPs operate on organisational structures that provide greater assurance over the management of public funding.

In addition, working together, The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Cities and Local Growth Unit have developed five principles¹ which they expect the section 151 officer role for LEPs to meet when instilling good and proportionate financial governance. This includes the following:

- The section 151 officer working with the LEP chief executive and chair should ensure that the LEP and accountable body has procedures in place to consider the financial implications of decisions before and during the decision making process rather than reviewing decisions afterwards; and
- LEPs and the section 151 officer should agree the budget risks facing the LEP at the outset of the financial year, and review them on a frequent basis. The risk appetite should be understood by both the LEP and the section 151 officer. The LEP shall provide the risk register to the section 151 officer on each occasion that it is revised.

Government will publish a statement regarding its approach to intervention in a revised National Assurance Framework where there are instances of non-compliance or underperformance, and we should mirror this approach at the local level. This will ensure that any intervention in relation to LGD funded schemes is proportionate and provides the appropriate levels of support to rectify issues. In the majority of cases, intervention will be minimal

¹ Full document link: <https://www.lepnetwork.net/media/1813/principles-for-section-151-officers-and-leps.pdf>

operating through the monitoring and evaluation framework that is already embedded into funding agreements and our local assurance framework. Where there are significant concerns, we should explore using a spectrum of options ranging from: regular, minuted performance meetings; the agreement of specific action/improvement plans with milestones; and risk based deep-dives / gateway reviews. In the most extreme instances, this could include direct intervention to express the LEP's loss of confidence in the scheme lead and / or project by withholding or withdrawing funding.

The LEP, in partnership with the Accountable Body will continue to monitor projects through the quarterly Operational Case Conference meeting, and it is proposed to supplement this with annual performance reviews and the ongoing quarterly monitoring of data returns for large scale projects² to monitor risk. In order to strengthen this system, we should also designate one of the quarterly case conferences as a mid-year review session to feed into the proposed HM Government mid-year review with the Solent LEP and the outcome of the mid-year review of each project should be notified to the nominated senior reporting officer for each project. Such performance assessments should be grounded in the three themes encompassing the objectives of a LEP: 'Governance', 'Delivery' and 'Strategy'. This will enhance the existing annual performance review meetings with HMG and reporting to FFPMG and the LEP Board. It should focus significantly on strategic direction and delivery of contracted outputs, whilst also providing a forum for the Executive and Accountable Body to highlight concerns with FFPMG and the Board.

5. Improvement of Risk Management

Whilst it is recognised that the LEP are very good at monitoring and responding to risks it is essential that there is a clear, consistent strategy for the actions required when risks have been identified and that this is proportionate to the level of risk presented in each case.

The recommended approach is to follow a prescribed set of actions that are aligned to the agreed risk management framework.

² Minimum LGD contribution of £500,000 or more

Annex A: LEP Risk Management Framework

A confidential report will be considered at the meeting

13.09.2018

Item 7

Proposed internal audit plan 2018/19

Item: 7
 Title: Annual Audit Plan 2018-19
 Date: 13th September 2018
 Purpose: For approval

Draft Resolution:

FFPMG is asked to:

- **Approve** the proposed 2018-19 annual audit plan.

1. Background

There is no legal requirement for the Solent LEP to procure internal auditing services, however as the accountable body, Portsmouth City Council, is required to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes' in accordance with the Accounts and Audit Regulations 2015 Section 5. During 2016 internal audit at PCC worked closely with the Solent LEP and carried out an investigation on their behalf following a stage 3 complaint. As a result of the work performed the Solent LEP and PCC signed a Service Level Agreement for the provision of Internal Audit Services for a period of 3 years commencing in 2017/18.

2. Purpose of report

In partnership with the Chief Executive and Chief Internal Auditor, a proposed plan of audit activities has been drafted and is detailed below for consideration and approval at this group.

Activity	Audit	No. of days	Comments
Governance & Decision Making Framework	Y	10	Part of Assurance Framework already in place & regularly reported, review to consider the compliance with these requirements.
Risk Management	Y	5	Review carried out in 2017-18, follow up required of exceptions raised. This work will also include an assessment of the new framework and specifically intervention arrangements when projects deviate from agreed plans.
Compliance with Financial Framework	N	0	Operate under PCC's financial framework although Solent LEP are not required to abide by PCC Standing Orders No audit this scheduled for this year.
Grant Awards including due diligent checks	N	0	Review carried out during 2017-18 no issues arising.
Loans	N	0	Small number of loans in place. No audit scheduled for this year.
Projects	N	0	Strategy work commissioned. No audit scheduled for this year.
Contracts - Building/ services	N	0	No of individual contracts in place. No audit scheduled for this year.

IT Infrastructure	Y	2	Review carried out during 2017-18, follow up audit required to assess implementation of agreed actions to address risk exposure.
Payroll / Expenses	N	0	Processed by PCC. No audit scheduled for this year.
Transparency Code	N	0	Included in PCC's data. No audit scheduled for this year.
Ethical Framework, (including code of conduct, gifts & hospitality and declarations of interest).	Y	5	Review to include an assessment of the arrangements (recording, reporting and transparency) in place.
Compliance with FOI & GDPR requirements	Y	5	FOI submissions facilitated by PCC under SLA. Review of include assessment of GDPR arrangements in place.
Purchase Cards	N	0	Three card holders. No audit scheduled for this year.
Assets & Equipment including mobile phones	N	0	All assets covered under PCC arrangements. No audit scheduled for this year.
Insurance	N	0	Insurance cover provided under PCC's arrangements with the exception of Director Liability. No audit scheduled for this year.
Recruitment & retention of staff	Y	10	Review to include arrangements in place covering both staff and board members.
Investments	N	0	No current investments. No audit scheduled for this year.
Local Growth Deal grant sign off	Y	5	Grant verification annual sign off.
Centenary Quay Grant	Y	5	Grant Verification
Foundations for Growth Capital Grant (Enterprise Zone)	Y	5	Grant Verification
Solent Growth Hub	Y	2	Grant Verification
CEC Enterprise Advisor Network and Careers Hub	Y	2	Grant Verification
Investigations	Y	14	Scope to be determined as and when required.
Contingency	Y	10	Scope to be determined as and when required.
		80	

3. Reporting on progress to plan:

Progress against the agreed plan will be communicated to FFPMG throughout the course of the year. As the Local Growth Deal grant annual sign off is a mandatory requirement this audit work has already commenced and will be reported at the next meeting following its conclusion.

4. Summary

The 2018-19 annual audit plan is presented for consideration and approval. The results of the plan of works will be reported regularly to this group. It is anticipated that all work will be completed by the end of March 2019.

Further information about any aspects of this report can be obtained from Elizabeth Goodwin (Chief Internal Auditor), or Paul Somerset (Deputy Chief Internal Auditor).

FFPMG members are asked to;

- **Approve** the proposed 2018-19 annual audit plan.

13.09.2018

Item 8

Any Other Business



Item 8

Title: AoB
Date: 13th September 2018
Purpose: For information and decision

Confidential information has been removed from this report.

Information defined as exempt in Part 1 of Schedule 12A to the Local Government Act 1972 has been removed from this report including information relating to an individual and/or relating to the financial or business affairs of a particular person.

Regional Growth Fund Legacy Project Update

The Solent LEP Funding, Finance and Performance Management Group will receive a confidential update in relation to a legacy project supported by the LEPs Solent-wide "Bridging the Gap" small business grant funding programme, part of the Government's Regional Growth Fund.

An update will be provided in relation to progress against the projects Grant Funding Agreement and also associated communications relating to the project; including an update on the outcome of a formal review by the Information Commissioners Office in relation to the response of the Solent LEP and Portsmouth City Council to a Freedom of Information Request. A copy of the ICO Decision Notice is published on their website at: <https://ico.org.uk/media/action-weve-taken/decision-notices/2018/2259481/fs50715250.pdf>

Item Number: 8 b
Item Title: Governance update – CIPFA Principles for s151 officers and LEPs
Meeting Date: 13 September 2018
Purpose: For Information

1. Draft Resolution

FFPMG are asked to:

- **Note** the update contained in this report.

2. Background

The MHCLG Non- Executive Director (Mary Ney) Review into LEP governance and transparency recommended that additional clarity was needed on the expectations of the role of the section 151 officer and the substance of how LEPs need to work with that role.

Her report recommended that MHCLG work with CIPFA to provide better clarity on:

- the mechanisms the section 151 officers use to fulfil their role
- their requirements in terms of access to LEP decision-making bodies
- the ability to provide written and verbal financial advice
- the role of their transactional services
- the operation of normal checks and balances in approving expenditure, management of risk of fraud and corruption
- the monitoring of programme spend against resources, treasury management and borrowing
- the role of internal audit and external auditors and provision of an audit opinion for the LEP
- the visibility of reporting arrangements to both the accountable body and the LEP
- the production of accounts and inter-relationship with the LEP's own accounts, if relevant.

Working together, CIPFA and the Cities and Local Growth Unit have developed five principles which they expect the section 151 officer role for LEPs to meet when instilling good and proportionate financial governance:

1 Enshrining a corporate position for the section 151 officer in LEP assurance.

2 Creating a formal/structured mandate for the section 151 officer.

3 Embedding good governance into decision making.

4 Ensuring effective review of governance.

5 Appropriate skills and resourcing.

These principles define core activities and behaviours and will be supported by specific responsibilities agreed locally between the section 151 officers, the Chair and Chief Executive officer (CEO) of the LEP.

FFPMG members will be aware that there is already in place good and proportionate governance as set out in the Assurance framework and the principles as set out above have been enshrined within our governance for some time. There will be a review of the current assurance framework to take account of the HMG LEP review which reported in July 2018 and the updated framework will now also make explicit reference to the publication of the CIPFA Principles for s151 Officers and LEPs.

FFPMG members can also download the full document [here](#), and it is also on [CIPFA's website](#).