

Solent Local Enterprise Partnership
Meeting of the Board to be held on Friday 19 October 2018
8.00am to 11.00am

Item	Title	Time
1.	Welcome and Introduction	08:00 - 08:05
2.	Apologies for absence	08:05 - 08:15
3.	Minutes of meeting held on Friday 13 July 2018 and exceptional Board meeting held Wednesday 19 September 2018	
4.	Matters Arising and declarations of interest	
	<u>Items for discussion and decision</u>	
5.	Strategy update to include: <ul style="list-style-type: none"> • LEP Review implementation plan • Strategy update for consultation 	08:15 – 08:55
6.	Infrastructure update for discussion <ul style="list-style-type: none"> • Gosport Infrastructure Investment Plan – In attendance Caroline Dinenage MP and Richard Stokes 	08:55 – 09:30
	<u>Items for decision</u>	
7.	Finance forecast year-end report to include: <ul style="list-style-type: none"> • In year budget position for 2018/19 • Financial Forecasts for the period 2018/19 – 2020/21 • Review of Risk Management framework 	09:30 – 09:45
8.	Enterprise update to include report on retained rates	09:45 – 10:15
9.	Local Growth Deal Update to include: <ul style="list-style-type: none"> • Retained schemes update • Consideration of Local growth programme 2015/16 to 2019/20 • Update on Solent Prosperity Fund 	10:15 – 10:45
	<u>Items for information and note</u>	
10.	Any other business <ul style="list-style-type: none"> • Verbal update on Energy strategy • Forward plan for agreement 	10:45 - 11:00

19.10.2018

Item 3

Draft Meeting Notes

Item		ACTION
1.	<p>Welcome and Introductions</p> <p>The Chairman welcomed everyone to the meeting. Board members were advised that following a recruitment process David Youngs had joined the Board as a Business Director.</p> <p>In addition, Christopher Hammond, Southampton City Council and Gerald Vernon- Jackson, Portsmouth City Council had been appointed as the new Local Authority representatives on the Board.</p> <p>Due to the need to schedule a number of presentations and a deputation the Chair also requested that the agenda be reordered so that the board considered item 8 ahead of item 7. This was agreed.</p>	
2.	<p>Apologies for Absence</p> <p>Apologies were received from Rachael Randall, Graham Baldwin and Chris Ward.</p>	
3.	<p>Notes of the meeting held on Friday 11th May 2018</p> <p>The notes of the previous meeting on Friday 11th May 2018 were agreed and signed by the Chairman.</p>	
4.	<p>Matters Arising and declarations of interest</p> <p><u>Declarations of Interest</u> The following declarations of interests were recorded:</p> <p><u>Cllr Keith Mans</u> Item 6 - Finance Forecast M27 J10 Item 7 - Solent LEP Investment Funding Item 8 - Retained LGD Scheme update - Stubbington Bypass and Proposed upgrade to Junction 10 M27</p> <p><u>Cllr Seán Woodward</u> Item 6 - Finance Forecast M27 J10 Item 7 - Solent LEP Investment Funding Item 8 - LGD Programme update - SRMP and CETC Item 8 - LGD Programme update - North Whiteley (for noting only) Item 8 - Retained LGD Scheme update - M27 J10 and Stubbington Bypass</p> <p><u>Cllr Dave Stewart</u> Item 8 - LGD Programme update - Floating Bridge</p> <p><u>Kevin George</u> Item 8 - LGD Programme update - Floating Bridge (location of Red Funnel business in East Cowes) (for noting only)</p> <p><u>Cllr Gerald Vernon-Jackson</u> Item 8 - LGD Programme update - SRMP</p> <p><u>Cllr Christopher Hammond</u> Item 6 - Finance Forecast - Solent Accelerated Housing Project</p>	

	<p><u>Brian Johnson</u> Item 5 - Strategy update - Visioning Work (for noting only)</p> <p><u>Matters arising</u></p> <p><u>Finance update (page 2 item 4)</u> Following the request of Board members at the previous meeting the LEP had sent a letter to BEIS requesting clarification on the Growth Hub funding and the funding allocation and formula used. Subsequently, a meeting had been arranged and a further meeting has been planned and an update would be provided at the next Board meeting.</p> <p><u>Board recruitment</u> The Board were advised that the recruitment process to recruit two new business leaders had commenced. The deadline for applications was 31st July 2018. The election process would take place in September.</p> <p><u>Strategy update (page 3 item 5)</u> An update would be provided under item 5 of the agenda.</p> <p><u>Governance update (page 4 item 6)</u> Board members agreed the change in membership to FFPMG to include: <ul style="list-style-type: none"> • Cllr Gerald Vernon-Jackson as a P representative • Kevin George as a Business member representative </p>	<p>Executive to action</p> <p>Executive to action</p>
5	<p>Strategy update for discussion</p> <p><u>Solent Economic Profile</u> Board members were provided with an update on the development of a Solent Economic Profile and the initial work to develop a new vision for the Solent. Board members asked for further work to be undertaken on the economic profile to include: <ul style="list-style-type: none"> • Updated information on the aerospace and aviation sector • Further detail on the visitor economy and cultural assets • An updated SWOT analysis <p>The draft vision work was considered and board members asked for further information on the visitor economy and cultural assets to be more explicitly articulated in the next update of the vision document.</p> <p>Board members: <ul style="list-style-type: none"> • Noted the update; • Noted the progress being made to develop a new vision for the Solent economy; • Agreed to forward any additional comments to the Executive on the initial draft vision document and Solent Economic Profile; • Delegated authority to the LEP Executive to update the vision and economic profile document, prior to further circulation through the visioning steering group and board, ahead of the public consultation scheduled for autumn 2018; and • Noted the update on the Council of LEP Chairs. </p> </p>	

<p>6</p>	<p>Finance Forecast</p> <p>The Board considered 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>Board members:</p> <ul style="list-style-type: none"> • Approved the final outturn for 2017/18 of £9,577,052; and • Approved the revised budget for 2018/19 of £46,872,240 and the forecast budget for the period 2019/20 to 2021/22 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 recommended funding sources for the creation of the new Solent Shared Prosperity Fund; <p>Board members also:</p> <ul style="list-style-type: none"> • Agreed the creation of a draft core operational budget for the year 2021/22. <p>Christopher Hammond declared an interest in the Solent Accelerated Housing Project and did not participate in the discussion or decision on this project.</p> <p>Board members:</p> <ul style="list-style-type: none"> • Agreed the removal of the £3 million Growing Places Loan allocation for the Solent Accelerated Housing Project <p>Board members:</p> <ul style="list-style-type: none"> • Noted the Corporate and Strategic Risk Register and noted that the framework would be reviewed further by FFPMG at their next meeting; and • Noted the latest forecast position on the Local Growth Deal programme particularly taking into account the risks highlighted; and • Noted the high level LGD Risk Matrix for the Local Growth Programme. 	
<p>8.</p>	<p>Local Growth Deal Update</p> <p>Legacy projects:</p> <p><u>Solent Recreation Mitigation Project - 2015/16</u> Seán Woodward and Gerald Vernon-Jackson declared an interest in this item and withdrew from the meeting before the item was considered.</p> <p>Board members noted the update in relation to the Solent Recreation Mitigation Project and the recommendation from FFPMG and agreed the requested variation to the funding agreement.</p> <p>Seán Woodward and Gerald Vernon-Jackson returned to the meeting.</p> <p><u>Floating Bridge</u></p>	<p>Executive to action</p>

	<p><u>Saab SeaEye</u> Board members noted the update on the Saab SeaEye project, and endorsed the advice from FFPMG that the project represented a high level of programme risk.</p> <p><u>Stubbington Bypass</u> Board members noted the updated on the Stubbington Bypass project.</p>	
7.	<p>Solent LEP Investment Funding Seán Woodward and Keith Mans declared an interest in this item and withdrew from the meeting before the item was considered.</p> <p>The Board considered details of the work on the development of a Solent LEP Investment Fund (The Solent Shared Prosperity Fund).</p> <p>Board members:</p> <ul style="list-style-type: none"> • Noted the update; and • Agreed to support a new funding call for new projects and also to strengthen the project pipeline; and • Provided advice on the content of the funding call and Delegated authority to the LEP Executive and Accountable Body to finalise the supporting documentation for the new funding call to be opened in July 2018. <p>The board noted that currently LGD funding has to be allocated and defrayed by the funding beneficiary by 31 March 2018. It was agreed that the LEP Board should write to Government seeking clarification on the status of LGD funding for multi-year housing projects.</p> <p>Keith Mans returned to the meeting</p> <p>David Stewart left the meeting.</p>	<p>Executive to action</p> <p>Executive to action</p>
9.	<p>Search Employment and Remuneration (SER) Committee Annual Report 2017/18 Board members considered the SER Committee Annual Report.</p>	
10.	<p>Annual Audit Opinion Board members considered and Noted the Annual Audit Opinion in relation to audit work carried out during 2017-18.</p>	
11.	<p>Any Other Business</p> <p><u>LEP Board Forward Plan</u> Board members agreed the forward plan.</p> <p><u>Maritime UK</u> Board members received an updated on the recent Maritime UK Council meeting.</p>	

Meeting closed at 12:20



**SOLENT
LOCAL
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**Solent Local Enterprise Partnership
Extraordinary Meeting of the Board of Directors to consider the LEP Review**

Held on Wednesday 19th September 2018, 08:30- 10:00

The Spindle Room, Ground Floor, 1000 Lakeside, Western Road, North Harbour, Portsmouth, PO6 3EN

Present	In Attendance
Gary Jeffries (Chairman)	Richard Jones (Executive)
Anne-Marie Mountifield	James Fitzgerald (Accountable Body)
Brian Johnson	
Kevin George	
Dave Stewart (Via dial in 08.30 – 08.50)	
Seán Woodward	
Gerald Vernon-Jackson	
David Youngs	
Rachael Randall	
Graham Baldwin	
Apologies	
Stuart Hill	
Chris Hammond	
Keith Mans	

Confidential information has been removed from these meeting notes.

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**

Item		ACTION
1.	Welcome and Introductions The Chairman welcomed everyone to the meeting.	
2.	Apologies for Absence Apologies were received from Chris Hammond, Stuart Hill and Keith Mans	
3.	Declarations of interest No declarations of interest were received.	
4.	Feedback from LEP Board working group and poretation of LEP Review options There was an introduction from the Chair outlining the approach to the review, the advice from the working group and feedback from the geography roundtable with HMG officials The following points were highlighted :	

	<ul style="list-style-type: none"> • The key consideration is the functional economic area • Scale is a consideration <p>Dave Stewart dialed in at 8.30 am advising that he will be in attendance for a brief period and following meeting will be meeting with AMM (on 20 September) on behalf of the IOW Council to provide reflections on overlapping Geography. He confirmed that had had no specific comments as a Board Director at this stage and that he would be seeking feedback from the meeting via Rachael Randall.</p> <p>AMM confirmed that slides for Board meeting have been forwarded to facilitate DS engaging in the board discussion</p> <p>Dave Stewart withdrew from the meeting at this point and</p> <p>The board papers were taken as read and there was a presentation (as attached) from AMM which provided an overview on:</p> <ul style="list-style-type: none"> • HMG LEP review • Solent Economic Profile • Options Appraisal in relation to overlapping geography <p>The chair provided a summary.</p>	
6	<p>Board Discussion on options</p> <p>The board discussed the preferred options emerging from the working group.</p> <p>They also considered advice from the working group on deliverability and collaboration.</p> <p>The board therefore :</p> <ul style="list-style-type: none"> • Noted the briefing paper; and • Considered the options appraisal in Annex C and the presentation at the board meeting; and • Agreed a proposal on the Solent LEP geography <p>The Board also:</p> <ul style="list-style-type: none"> • Delegated authority to the Chair and Chief Executive to finalise the geography proposal response template for submission by 28 September 2018. <p>POST MEETING NOTE:</p> <p>Further to the meeting, the LEP Chairman provided a final opportunity for a conference call on the submission deadline day (28th September 2018).</p> <p>A copy of the joint letter submitted by EM3 and Solent LEP is available at: https://solentlep.org.uk/media/2420/joint-letter-lep-review-28918.pdf</p>	

19.10.2018

Item 5

Strategy Update

Item Number: 5
Item Title: Strategy update
Meeting Date: 19th October 2018
Purpose: For Decision

1. Draft Resolution:

Board members will be asked to:

- **Note** the update on the development of the Solent Economic Profile, and Local Industrial Strategy; and **Support** the ongoing work; and
- **Consider** and **Agree** the implementation plan in Annex A and to **Delegate** authority to the Chief Executive and Chair of Solent LEP to finalise it for submission no later than **31 October 2018**; and
- **Consider** and **Agree** the proposal for additional funding and to **Delegate** authority to the Chief Executive and Chair of Solent LEP to finalise it for submission no later than **31 October 2018**.

2. Overview

This paper updates the Board on the following:

- The development of the evidence base for the Strategic Economic Plan and Local Industrial Strategy; and
- The LEP review

3. Development of a Solent Economic Profile and Local Industrial Strategy (LIS)

Work continues on developing the evidence-base for the Local Industrial Strategy to ensure that it identifies local strengths and challenges, future opportunities and the action needed to boost productivity, earning power and competitiveness across the Solent area. The LIS should set out a robust and open evidence base.

At the last Board meeting the board considered the updated economic profile for the Solent and it was agreed that pending further work on the SWOT analysis it would be ready to publish. Since that time and as a result of the publication of the LEP review further work has been undertaken in relation to LEP geography and pending the government response to the board proposal on LEP Geography, it is possible that it will need to be revised further and the profile updated to take account of any changes in geography that emerge from the LEP review.

It is also recommended that the board refresh the Economic Forecasts published in 2017 (see - <https://solentlep.org.uk/media/1887/solent-lep-baseline-forecasts-and-the-implications-of-brexite.pdf>) to ensure that we have an up to date set of forecasts which reflect the position of the area as we move into BREXIT and critically a set of forecasts that also are updated to reflect any adjustments to geography and that underpin the LIS.

Lichfields, who have worked with the LEP previously to develop the now published [IoW Infrastructure Investment Plan](#), have also been commissioned to undertake work on an Infrastructure Investment plan for Gosport and this will form part of the evidence base that we are developing on our coastal communities. The board will consider this work under item 6 of the meeting.

Outputs from the work the LEP Visioning Group and the recent wide- ranging consultation with key stakeholders as part of the LEP Review have also been taken forward and will be used to inform the development of a draft outline strategy document to support ongoing consultation on the LIS. This is important as the LIS must be a product of extensive consultation with businesses, a broad range of public partners and the civil society sector.

Board members should therefore note that work on the LIS continues and will be reviewed alongside the updated HMG policy guidance on LIS which has been published and can be accessed via the following link:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/744544/local-industrial-strategies-policy-prospectus.pdf.

At a high level the policy guidance advises that the LIS should;

- Set out clearly defined priorities for how the Solent area will maximise its contribution to UK productivity. Local Industrial Strategies will allow places to make the most of their distinctive strengths; and
- Better coordinate economic policy at the local level and ensure greater collaboration across boundaries; and
- Help to inform local choices, prioritise local action and, where appropriate, help to inform decisions at the national level; and
- Provide a strategic overview of the Solent which will inform our approach to any future local growth funding deployed through them. On this basis clarity will be sought on whether there is still a requirement to produce a Strategic Economic Plan (SEP) alongside the LIS or whether it will be framed within the LIS document; and
- Help us decide on our approach to maximising the long- term impact of the new UK Shared Prosperity Fund once details of its operation and priorities are announced following the Spending Review.

The guidance document is also explicit on setting out the expectations from HMG that all Local Enterprise Partnerships need to show how they intend to use additional capacity funding to support future work on Local Industrial Strategies. This will be reflected in our additional funding request as detailed below and attached in Annex B. Also this will be considered alongside the implementation plan setting out our response to Strengthened Local Enterprise Partnerships due for submission by 31 October 2018 and the suggested changes to our geography which we submitted on 28 September 2018.

The board are asked to:

- **Note** the update on the development of the Solent Economic Profile, and Local Industrial Strategy; and **Support** the ongoing work.

4. The LEP Review – Strengthened Local Enterprise Partnerships

On 24th July 2018, HM Government published new proposals for Local Enterprise Partnerships (LEPs) to supercharge economic growth and drive forward investment in local businesses across the country. The publication of the '[Strengthened Local Enterprise Partnerships](#)' review sees government delivering on its promise in the [Industrial Strategy white paper](#) to bring forward reforms to the leadership, governance and accountability of the 38 LEPs charged with kick-starting economic growth and creating jobs in their regions.

The review proposes a number of changes to boost the performance of LEPs, increase their diversity and ensure they're operating in an open and transparent way. Key areas of the review relate to:

- Roles and responsibilities
- Leadership and organisational capacity
- Accountability and performance
- Geography

Further to the publication of the HMG LEP Review, the Board held an extraordinary meeting on 19 September 2018 to agree a proposal on geography which was submitted on 28 **September 2018**.

In addition to considerations around LEP Geography, Government have also committed to work with Local Enterprise Partnerships to bring forward reforms to leadership, governance, accountability, and financial reporting. As a result, the board will need to consider the following:

- a. **Roles and Responsibilities:** This looks at the role LEPs perform in **convening local economic stakeholders to develop evidence-based economic strategies and the work undertaken to identify key investment opportunities and interventions with the potential to increase growth in LEP areas.** There is a recognition that all LEPs will need to develop an evidence-based LIS that sets out the long-term economic vision for their local area based on local consultation. This work is already underway and as set out above will now be reviewed in light of the publication of the policy guidance during week commencing 1 October 2018. To support this there is also an expectation that the LEP will publish an annual delivery plan and end of year report to assess the impact of their strategies and investment. We currently publish an annual report and work will be undertaken to augment this with the annual delivery plan. The draft annual report (2018) and draft annual delivery plan (2019/20) will be considered by FFPMG at their meetings in November 2018 and January 2019 and further to their advice final drafts will come to the board in December 2018 and February 2019 respectively.

- b. **Leadership and Organisational capacity:** This looks at the work of LEPs in prioritising policies and actions on the basis of clear economic evidence and intelligence from businesses and the local area. LEP interventions are designed to improve productivity across the local economy to benefit people and communities with the aim of creating more inclusive economies. To do this effectively the review explicitly states that **Local Enterprise Partnerships must have robust governance arrangements that provide the operational independence to take tough decisions and hold local partners to account for delivery.** Specifically, there is a requirement for Local Enterprise Partnerships to:
 - **Consult widely and transparently** with the business community before appointing a new Chair; and introduce **defined term limits** for Chairs and Deputy Chairs in line with best practice in the private sector. The process for selection of the Chair will need to be reviewed to take account of the defined limits requirement and the new provision to advertise role on the public appointments website and there will be a need to consider a Deputy Chair appointment. As a result, the Articles of Association will need to be reviewed for the Board to consider at the December 2018 meeting/strategy day; and
 - Establish more **representative boards of a maximum of 20 persons** with the option to co-opt up to five additional board members. The aspiration is that two - thirds of board members should be from the private sector. The current board membership is 15 persons and options will be brought forward to the board under the review of articles to make provision to ensure that we meet the aspiration that two- thirds of board members should be from the private sector. The review is also explicit in setting out eligibility criteria for private sector board members¹. The SER Committee is undertaking a review of board composition, balance and mix and this will now be considered within this work and this alongside a review of the Articles of Association will come forward for the Board to consider at the December board meeting/strategy day; and
 - **Improve the gender balance and representation of those with protected characteristics on boards** with an aim that women make up at least one third of Local Enterprise Partnership boards by 2020 with an expectation for equal representation by 2023, and ensuring all Local Enterprise Partnership boards are representative of the businesses and communities they serve. The SER Committee is undertaking a review of board composition, balance and mix and as a result this can be taken forward by the committee as normal business. It should be noted that currently women make up 26% of the board; and
 - **Provide a secretariat independent of local government** to support the Chair and board in decision making. This is already in place and that the SER Committee are taking forward work in relation to succession planning to ensure there is capacity in place within the executive going forward. To support

¹ Any private sector board member must fit the definition of 'private sector' as defined by the National Accounts Sector Classification. A private sector member must be or have been employed by an organisation not included as central government, local government or a public corporation as defined for the UK National Accounts.

Local Enterprise Partnerships in implementing these changes HM Government will provide up to £20 million of additional funding (nationally) between 2018-19 and 2019-20 to support Local Enterprise Partnerships to adopt these changes. There is a requirement to secure and strengthen the existing executive resource and this is reflected in the proposed submission in Annex B of this report. The SER Committee will undertake further work for the Board at their November 2018 meeting and provide a further report to the board at the December meeting; and

- **Develop a strong local evidence base of economic strengths, weaknesses and comparative advantages** within a national and international context. This will be supported by **robust evaluation of individual projects and interventions**. This work is already in place.

c. **Accountability and performance:** HM Government want to build on the work undertaken to date in relation to Assurance frameworks to ensure that all LEPs operate to the highest standards of accountability and transparency. It is expected that further guidance will be published to clarify their approach to robust monitoring and intervention and this will be reflected in an updated Assurance framework that the board will need to consider in late Autumn 2018. Alongside this LEPs will need to;

- Have a **legal personality**, such as incorporation as companies, or mayoral combined authorities or combined authorities where they exist. This is already in place; and
- Set out clearly and transparently the **responsibilities of the Chair, Board, Director, and Accountable Body**, including over spending decisions, appointments, and governance. It was noted that this is already in place. As part of the LEP response set out in Annex A there is an emphasis on the strong governance in place, highlighting the board composition and the importance of 'independent directors' in terms of delivering the highest standards of accountability and transparency; and
- Actively participate in relevant **local authority scrutiny panel** enquiries to ensure effective and appropriate democratic scrutiny of their investment decisions. Currently the Solent Growth Forum performs this function but the review has provided an opportunity to review engagement with Local Authorities and work is underway in partnership with Local Authorities to look at bringing forward a new forum. This will be reflected in an updated Assurance framework that the board will need to consider at the December meeting; and
- Hold **annual general meetings** open to the public to attend to ensure the communities that they represent can understand and influence the economic plans for the area. The LEP does hold an AGM but there will need to be a review of the format to make provision for the wider public to attend part of the meeting to ensure that they have the opportunity to understand and influence the economic plans for the area. This will be reflected in an updated Assurance framework that the board will need to consider at the December meeting.

As a result, a plan and proposal for additional funding has been brought together to reflect this (as attached in Annex A and B respectively). They set out how we will implement the wider review recommendations and they also detail the additional funding associated with this. The board are therefore asked to:

- **Consider and Agree** the implementation plan in Annex A and to **Delegate** authority to the Chief Executive and Chair of Solent LEP to finalise it for submission no later than **31 October 2018; and**
- **Consider and Agree** the proposal for additional funding and to **Delegate** authority to the Chief Executive and Chair of Solent LEP to finalise it for submission no later than **31 October 2018**.

Annex A – Draft Implementation Plan LEP Review

A confidential report will be considered at the meeting

Annex B – 2018-19 Additional Funding Form LEP Review

A confidential report will be considered at the meeting

19.10.2018

Item 6

Infrastructure Update

Item: 6
Title: Infrastructure update – Gosport Infrastructure Investment Plan
Date: 19 October 2018
Purpose: For discussion and decision

1. **Draft Resolution:**

Board members are asked to:

- **Consider** the final draft Gosport Infrastructure Investment Plan (attached at appendix A); and
- **Agree** the Gosport Infrastructure Investment Plan and **Delegate** authority to the Executive to finalise for publication.

2. **Background**

A Taskforce (chaired by the Gosport MP, Caroline Dinenage) has been established to look at a range of Ministry of Defence (MoD) and Ministry of Justice (MoJ) sites in Gosport Borough that are either definitely being disposed of, or are under consideration for disposal. Sites definitely being disposed of are Fort Blockhouse, Royal Clarence Yard, and the Haslar Immigration Removal Centre. HMS Sultan and Centurion Building may be disposed of. Alongside this, there are sites that have already been disposed of (such as Haslar Hospital and Daedalus - the Solent Enterprise Zone) and are the subject of efforts to develop them out. This flow of disposals presents an unprecedented opportunity to strategically plan for the future transformation and prosperity of the coastal community of Gosport.

Some of these sites have not been in economic use for some time and/or have a range of specific uses, and this, alongside the existing infrastructure constraints within and impacting Gosport Borough, indicate the need for an Infrastructure Investment Plan that identifies the infrastructure projects required to unlock and/ or accelerate the delivery of new housing and employment land, and set Gosport Borough on a new economic trajectory to achieve its potential, building on its strengths and its coastal setting.

3. **Gosport Infrastructure Investment Plan**

The LEP has commissioned Lichfields to provide independence and expertise to develop a Gosport Infrastructure Investment Plan. The draft report attached as Appendix A has, therefore, been prepared by Lichfields on behalf of the Solent LEP and presents an Infrastructure Investment Plan (IIP) for Gosport Borough to identify future “economic infrastructure” needs of the Borough to support the transformation of this coastal community.

Given the importance of future development and infrastructure investment in helping to achieve transformational 'step change' in Gosport's economy, it became apparent at an early stage of the work that a vision for the Gosport economy that builds on Gosport's economic strengths, its coastal geography, and the significant site-based opportunities was required to complement and frame the infrastructure assessment.

The work has been led by Richard Stokes, a recently retired Rear Admiral in the Royal Navy who provides expertise in divestment of public assets (including MoD assets), who was commissioned by the LEP to chair a steering group to drive this work forward. The Gosport Task Force has overseen the work. It should be noted that the draft report was considered by the Task Force on 17th September 2018 and Gosport Borough Council at their Economic Development board meeting on 19th September 2018 and has been subject to significant stakeholder engagement throughout.

Richard Stokes will provide a short presentation at the meeting on the final draft report. The item will also be attended by Caroline Dinenage MP. The Board will be asked to consider the draft Gosport Infrastructure Investment Plan, alongside the presentation from Richard Stokes and reflections from Caroline Dinenage MP, and Agree the draft Gosport Infrastructure Investment Plan and Delegate authority to the Executive to finalise for publication.

The report represents the culmination of evidence gathering, analysis, and extensive stakeholder engagement and critically it will form part of the evidence base for the new Strategic Economic Plan and Local Industrial Strategy.

Annex A – Draft Gosport Infrastructure Investment Plan

A confidential report will be considered at the meeting

19.10.2018

Item 7

Finance Forecast

Item: 7
Title: Solent LEP Financial Report to 31 July 2018
Date: 19 October 2018
Purpose: For approval

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. Introduction

- 1.1 This report provides the LEP Board with the financial position of all the LEP funds to 31 July 2018.
- 1.2 The budgets are as previously 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 LEP Board 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 ;
 - The Local Growth Deal high level deliverability matrix as attached at appendix F;
 - The risk score / corrective actions template as attached at appendix G1 and G2
 - Any risks in respect of budgeted expenditure with suggested mitigating action.

3. Recommendations

- 3.1 It is recommended that :
- (i) 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 is approved by the LEP Board 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 removal of the Saab SeaEye project from the approved LGD programme and the reallocation of the funding of £2.5m to the Solent Prosperity Fund.

The LEP Board 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.
- Note the risk management framework and supportive assessment and proposed actions attached at appendices G1 and G2.

4. **Forecast Outturn 2018/19:**

	£000's
Budget agreed at the LEP Board on 13th July 2018	46,872
Removal of Solent Accelerated Housing Project	(3,000)
Revised Budget / Forecast Outturn for 2018/19	43,872

- 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.

Since the FPPMG meeting held in September there has been further expenditure of almost £0.5m which relates in the main to SGF and ERDF grants and a further quarter of Growth Hub expenditure.

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 from several large projects 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.

Although there is a significant amount of expenditure still to be incurred this can be categorised as follows:

- £13m of in year LGD under programming which is planned to be spent in future years
- £8m in respect of the Warsash Maritime and National Maritime Systems Centre projects where there are signed contracts in place and claims due
- £7.5m for approved schemes awaiting funding agreements for which claims are expected in Q4.

The remaining funding to defray is largely made up of grants to SME's for which there are multiple funding calls throughout the year, the Solent Prosperity Fund which is now live and various capacity and programme management costs which are being incurred on a monthly basis.

Item 9 on this agenda also includes a summary of bids to the Solent Prosperity Fund totalling £25.9m grant and £7.4m loan requests demonstrating a strong pipeline of projects that should be able to deliver within the current funding window.

5 **Analysis of the Key Issues and Variances against the Approved Budget for 2018/19**

5.1 **Solent Growth Fund (SGF) - SME Support**

At the last meeting of the Board it was agreed to allocate £4.5m of the unallocated funding identified for the proposed Solent Prosperity Fund which has been ring-fenced for SME grants / loans up to £100,000.

This funding will be used to support SME digital capability and export capability from 2018-2021, support for High Growth Start-ups and support for Established SMEs in high growth sectors seeking to grow / expand. This allocation will also be used to fund the SME grant applications that have already been approved but are awaiting claims / final due diligence to take place and an update on the position of the larger projects and recommended action is provided in the Local Growth Deal report at item 9 on this agenda.

ERDF Programme:

As reported at FFPMG in September 2018 there was a planned audit visit from the managing authority in July 2018 and a report was received on 16th August outlining three main actions: the calculation of hourly rates, further evidence of expenditure from grant recipients and state aid reporting and the LEP executive and the Accountable Body are responding accordingly.

5.2 Local Growth Deal 2018/19

The latest status of the fund is set out in appendix E which shows an in year under-programming of £13.2m (however in total the LGD is fully programmed to 31 March 2021) and further detail can be found in the update report under item 9 of this agenda.

6. 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.

7. 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
Removal of Saab SeaEye		(2,500)				(2,500)
Addition to Solent Prosperity Fund			2,500			2,500
Change in instance of LGD under / over-programming		2,500	(2,500)			0
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 Board 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 £247,583,000) 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.

8. Key budget issues in future years (2019/20 to 2021/22).

8.1 Local Growth Deal (LGD) - 2019/20 onwards

Appendix E sets out the latest LGD position, highlighting for Board members where the under and over programming currently occurs. A High Level Delivery Risk Matrix is attached as appendix F highlighting the current risk status of each LGD project.

9. 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.

10. 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.

Cushman and Wakefield, 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. The updated report on this and the forecast in relation to retained rates can be found at item 8 on this agenda.

11. Risk Management

The FPPMG considered a report which provided an update in relation to the PCC Internal Audit Report on risk management at Solent LEP and the associated action plan.

A proposed risk management framework with a risk score and recommended corrective actions template is attached at appendix G1 whilst definitions of types and levels of risk is attached at appendix G2.

In terms of risk ownership this sits with the individual scheme leads in terms of the actual delivery of the project; however, the LEP and the Accountable Body also need to monitor risks in respect of accountability to Government with regard to the proper management of funds and delivery of associated outputs.

It is recommended that these actions also form part of the schedules to the standard LEP funding agreement in order that project leads will understand what is required from them, should their project move away from a green status.

The FPPMG also agreed to 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 assessment and rating of each project should be notified to the nominated senior reporting officer for each project. This will enhance the existing annual performance review meetings with HMG, and also reporting to both FPPMG and the LEP Board.

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, and 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.

Risk Register update

Alongside the high level delivery matrix for LGD projects at appendix F, the LEP and Accountable Body 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.

12. Summary

The forecast outturn against the approved budget for 2018/19 is set out in appendix A.

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

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:							
Stubington 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
Stubington 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	13,217,464	2,100,000	2,100,000	0	0
Sub-total - Local Growth Deal	29,010,648	109,075	31,110,648	2,100,000	2,100,000	0	0
DfT Retained Schemes							
Stubington 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	38,949,199	2,100,000	2,100,000	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	0	(2,500,000)	(2,500,000)	0	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	119,777	(2,500,000)	(2,500,000)	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	5,100,000	1,653,808	-	8,103,808	8,103,808	-
Accountable Body Capital Expenditure (Funded by LGD to maximise use of LGD)	1,000,000	-	-	-	-	1,000,000	1,000,000	-
(Over) / Under Programming	-	13,217,464	(1,768,051)	(11,449,413)	-	0	0	-
SUB TOTAL: Solent Growth Deal:	59,587,332	31,110,648	7,102,686	7,602,685	-	105,403,351	105,403,351	-
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	38,949,199	34,602,686	18,802,685	9,262,916	188,929,138	188,929,138	-

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
0	0	0	0
40,457	0	0	0
-	-	-	-
-	-	-	-
-	-	-	-
79,320	30,000	-	-
119,777	30,000	0	0

Total Budget	Total Forecast Expenditure	Variance
2,000,000	2,000,000	-
0	0	-
250,000	250,000	-
1,050,000	1,050,000	-
456,633	456,633	-
500,000	500,000	-
180,000	180,000	-
4,436,633	4,436,633	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
<u>Contingency Provisions</u>										
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 - 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	5,100,000	1,653,808	8,103,808
SUB-TOTALS:	38,833,432	37,807,314	8,312,999	19,980,680	11,020,737	20,702,099	136,657,261
(Over) / Under programming		-		13,217,464	(1,768,051)	(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:

1. 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

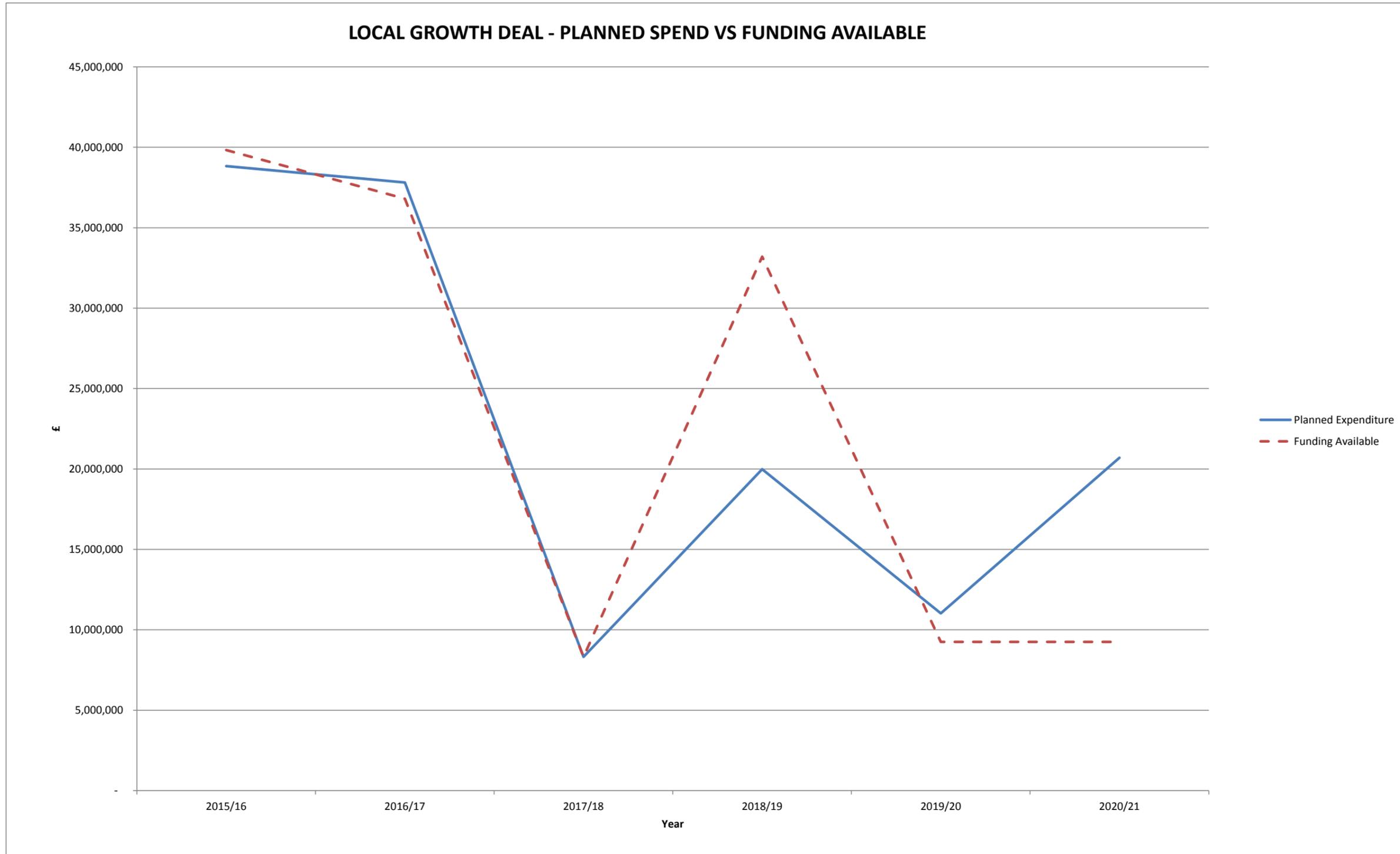
2. The funding to enable both of these scheme to proceed is still subject to receiving the LGD allocations in future years

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

**APPENDICES G1 AND G2
RISK SCORES AND DESCRIPTORS**

A confidential report will be considered at the meeting

19.10.2018

Item 8

Enterprise Update

Item: 8
Title: Solent Enterprise Zone at Daedalus: update and retained rates
Date: 19 October 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:

The Board is asked to:

- **Note** progress in delivering the Solent Enterprise Zone (EZ); and
- **Note** the draft Report (Appendix A), and
- **Agree** the report and the Board's position in relation to the treatment of retained rates; and **Delegate** authority to the Executive to take this work forward; and
- **Note** the template Memorandum of Understanding provided (in Appendix B); and **Agree** advice to the Accountable Body and the LEP Executive on taking this forward.

1. Overview

This paper updates on progress with the Solent Enterprise Zone (EZ) at Daedalus and on the forecasts prepared looking at the potential growth in the rates income derived from retained business rates from the EZ, which are payable to Solent LEP. The forecasts and supporting narrative are included in the draft report in Appendix A.

The independent report was initially commissioned to look at the effect of the expiry of the government-funded business rates relief scheme on the EZ on 31 March 2018. The study has included the following:

- an assessment of the current accumulated value of the retained business rates income and estimates of their possible value over the lifetime of the EZ (2012-37); and
- the cost and benefit of extending the business rate relief for a further period to 31 March 2021; and
- what other interventions might have a similar or greater effect in incentivising continued development of the Solent Enterprise Zone.

The work was first considered by FPPMG at their meeting in September and has also been shared with the rating authorities. The draft report highlights a number of areas where further work is needed to confirm the retained rates position between Solent LEP and the two local authorities responsible for collecting the business rates on the EZ

– Fareham and Gosport Borough Councils (FBC and GBC respectively).

The total value of the retained business rates from the EZ and the timing of their receipt by Solent LEP is particularly important to the financing of two projects already agreed by the Board which are part-funded (to a total of £16.2m) by the future EZ rates income stream: these are investments by FBC in Daedalus West (Swordfish), which is committed; and a contribution to the Stubbington Bypass. It should be noted that the bypass scheme is still under development and a further update on this can be found under item 9.

This paper also refers to proposals for interventions that Solent LEP might make to maintain the momentum for growth on the EZ. Separately the board will also be asked to consider the development of a Memorandum of Understanding (between Solent LEP and its accountable body with the two rating authorities to set out a protocol for transferring business rate growth derived from the EZ to Solent LEP) as a basis for further discussion with all other parties.

2. EZ Progress to date

None of the infrastructure at Daedalus at the date of designation of the EZ was fit for purpose with the consequence that it has had to be developed from scratch incurring high up-front costs and an extended development lead time. Around two-thirds of the Zone is owned by FBC together with the airfield (now Solent Airport): one area (Daedalus Park) has been developed by a private developer and the remainder (the Gosport Waterfront) is currently owned by Homes England but two sites have been sold to Wates for housing and the remainder is under negotiation.

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 jointly by the HCA and FBC. 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 from a £7m DCLG grant. The road and power reinforcement is complete and the drainage project is underway;
- a £642,000 grant to the UTP, a precision engineering company towards the cost of their new premises;
- up to £500,000 grant to MonsterCAM for renovation and expansion of their capacity and machinery investment;
- £1.5m invested by FBC into upgrading the airfield's main runway (which is not part of the EZ);
- 102 new homes have been developed by Barratts at Seaview Gardens;
- 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 are in negotiation or on offer;
- 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 is starting on site 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 which has just been completed and will be marketed for commercial development shortly.

The Board should note that to date the sum total of Solent LEP investment (through grant and repayable loan) *on site* has been over £25 million, including the proposed contract with Fareham College for the Centre to invest £2.833m in the Civil Engineering Training Centre at Daedalus (see item 9).

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 peninsula 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 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 715 jobs on the EZ. 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.

3. Benefits of Enterprise Zone status

EZ status confers two main benefits:

- provision of a business rate discount to occupiers' worth up to £55,000 a year for five years, the costs of which are refunded by HM Treasury. The discount scheme for the Solent EZ was due to end in 2015 but was extended to 31 March 2018. No further discounts are therefore being offered and all benefit from these will expire by 31 March 2023. Currently occupiers are offered no specific incentive to locate on the Enterprise Zone; and
- the ability to retain the growth in business rates generated from the EZ over 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 in 2012, the rating authorities (FBC and GBC) notified the then Department for Communities and Local Government (DCLG) of the level of non-domestic rates collected from businesses located within the boundaries of the EZ, which then became the baselines. EZ status enables the value of the rates growth that exceeds the baselines (updated for inflation) to be retained locally and be available to the LEP for reinvestment in the Solent. 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 independent forecast was undertaken earlier this year 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 in excess of current planning consents. These are summarised below.

Forecast retained business rates over the lifetime of Solent EZ

	Cautious Scenario		Baseline Scenario	Optimistic Scenario
Forecast Total EZ Retained Rates		£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 FBC to develop Daedalus West, involving a new access road, infrastructure, and a new speculative building to kick-start redevelopment. The agreement relates to retained rates arising from Daedalus West; and
- an agreement by the Board 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 updated work has sought to establish the value of retained rates that have been raised to date.

The Board is therefore asked to **Note** the draft report and **agree** their position in relation to the treatment of business rates and **delegate** authority to the Executive to take this work forward.

In addition, the draft report recommends that the board reflects on best practice in other EZ areas and therefore considers developing a MOU for agreement with the rating authorities.

A template for a MOU is attached at Appendix B. It should be noted that any MOU should reflect the decision of the board to date to reinvest £16.2 million of the retained rates in Daedalus West and the Stubbington Bypass, two projects that support further growth on the EZ. The Board is therefore asked to provide **Advice** to the Executive and accountable body to take forward.

4. Opportunities for further Progress and Constraints

A key issue for Solent LEP is to maintain the momentum of development at the EZ. The offer of the business rates discount to eligible occupiers has now ceased and it is important to ascertain whether this will lead to a dip in the volume or pace of commercial development, as this could have important consequences for Solent LEP in the longer term in that it could reduce the income stream derived from EZ retained rates. The independent report was therefore commissioned to assess the scope for interventions by Solent LEP that might encourage further commercial investment that would help secure future retained rates income for Solent LEP. The draft report suggests a number of potential interventions, many of which are already offered at the EZ, and these are set out in section 4 of their report at appendix A. The Board is asked to agree that once a Memorandum of Understanding is agreed, further work should be undertaken on possible incentives to development which could enable proposals to be put to FFPMG and the Board at future meetings.

The Board should note that following the redefinition of their remit, Homes England is completing their final development on land they own at the Gosport Waterfront. This part of the EZ has a high level of opportunity but also high redevelopment costs largely because of the need to find alternative uses for heritage buildings and to reintegrate the site into the surrounding community of Lee-on-the-Solent. This EZ project fits within the wider context of the regeneration of public sector land being released in Gosport, which is the focus of work commissioned by the Solent LEP on the Gosport Infrastructure Investment Plan, and considered under agenda item 6 of this Board meeting.

Appendix A – Draft Independent Report on Solent LEP’s future Investment Strategy for the Retained Rates

A confidential report will be considered at the meeting

Appendix B – Memorandum of Understanding (generic template)

A confidential report will be considered at the meeting

19.10.2018

Item 9

Local Growth Deal Update

Item Number: 9
Item Title: Local Growth Deal Update
Meeting Date: 19 October 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.

1. Overview

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

- Retained Schemes update
- Consideration of Local Growth Deal programme 2015/16 to 2020/21
- Solent Prosperity Fund update
- Centenary Quay project update

2. Recommendations

Board members are asked to:

- **Note** the update and presentation from Hampshire County Council (HCC) to be provided at the Board meeting in relation to M27 Junction 10; and
- **Note** the update and presentation from the Department for Transport (DfT) and HCC to be provided at the Board meeting in relation to Stubbington Bypass and provide **Advice** to the Executive accordingly; and
- **Note** the updates in relation to the Local Growth Deal programme, the Solent Prosperity Fund and the Centenary Quay project.

3. Retained Schemes Update

M27 Junction 10

At its previous meeting, the LEP Board had set out a number of milestones which they wanted to see achieved by the 19 October 2018 as follows:

- A Draft Strategic case (including housing delivery profile); and
- 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.

Colleagues from Hampshire County Council (HCC) will attend the meeting to provide an update on progress in developing the business case for the scheme.

The third M27 Junction 10 Steering Group meeting took place on the 10 October and HCC colleagues will provide a more detailed updated at the meeting.

Attached at Annex A is the Q2 Quarterly Monitoring Report (QMR) for the project as submitted to DfT on 14 September 2018.

Stubbington Bypass

In drafting the latest QMR (attached at Annex B) for this scheme with HCC, the Executive has become aware that land negotiations and the Compulsory Purchase Order (CPO) process have been delayed following a decision by the DfT to undertake an Inquiry for an objector. An Inquiry date has been set for the 26 November 2018, meaning a decision on the CPO will not be reached until late May 2019. The DfT full approval process cannot commence until the CPO Inquiry process has concluded, which means that the project has slipped by six months. This introduces a risk on the ability to spend LGD funding within the period to 31 March 2021. DfT will attend the meeting to provide an update to the Board on the Inquiry that they have called.

4. Consideration of Local Growth Deal programme 2015/16 to 2020/21

Local Growth Deal 2016/17 legacy project - Floating Bridge

Isle of Wight Council submitted the final version of their updated business case incrementally, between 10 and 21 September 2018. The business case is currently with AECOM for due diligence review, and a verbal update will be provided at the Board meeting on progress. The final due diligence report is expected on the 26 October and so will be considered by the Board at its December meeting. In the meantime, an interim due diligence report from AECOM is attached at Annex C.

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. A key change includes the removal of the £2.5m allocation under the Innovation Programme Fund to Saab SeaEye, who have formally withdrawn their application due to scheme slippage.

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>
Southampton Solent University - Warsash School of Maritime Science and Engineering	£5,164,000
Sub Total	£11,824,447
Under negotiation / due diligence with scheme promoters	
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	£20,333,000
New Funding Call Solent Prosperity Fund - available funding	
Unallocated Funding	£1,350,000
Sub Total	£1,350,000
Total Programme Allocation (a)	£33,507,447

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
Cumulative Over programmed expenditure to 31 March 2019 (e) = (d) - (a)	(£309,303)

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

On this basis, the approved capital programme in respect of open funding calls and projects under negotiation or at funding agreement stage is £33,507,447, which is an over allocation of £309,303 against the total funding available for allocation in 2018/19 of £33,198,144.

Board members should note however that the updated mid-year review shows that the forecast defrayal of funding for the current year will be lower as shown in Table 1b. This forecast expenditure is expected to be £19,980,680 which is 60% 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 7.

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

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
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	
Fareham College - Civil Engineering Training Centre	£2,833,000
Stubbington Bypass (further advance)	£3,500,000
North Whiteley	£1,223,233
Sub Total	£7,556,233
New Funding Call - available funding	
Unallocated Funding	£1,350,000
Sub Total	£1,350,000
Total Programme Allocation (a)	£19,980,680
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
Cumulative Under programmed expenditure to 31 March 2019 (e) = (d) - (a)	£13,217,464

The current forecast for 2018/19 shows that the LGD allocation for the year ending 31 March 2019 is currently forecast to be under-programmed by £13.2m against the LGD Capital programme fund of £33,198,144 for the year (this represents a forecast in-year under programming of funds of 39.8%, (largely explained by the timeframes associated with delivering complex, multi-year schemes to enable housing). A broader analysis of the cumulative position on the LGD capital programme from 2015/16 through to 2018/19 shows a forecast spend of £104.9m against the four-year cumulative budget of £118.1m (a defrayal rate of 88.8%) and the budget shows an indicative allocation of all programme funds through to 31 March 2021. The main risks to full defrayal are the Stubbington Bypass, North Whiteley and M27 Junction 10 projects, and updates on these can be found earlier in this report.

A high level summary of the LGD expenditure against allocations received from 2015/16 to date is set out in the table 1 c below:

Table 1 c: Cumulative Forecast LGD Expenditure against allocation 2015/16 to 2018/19

Local Growth Deal Summary of Expenditure to 31 March 2019	Actual 2015/16 (£)	Actual 2016/17 (£)	Actual 2017/18 (£)	Forecast 2018/19 (£)	Total Cumulative Forecast to 31 March 2019 (£)	Percentage Cumulative Spend vs. Allocation to 31 March 2019
Expenditure	38,833,432	37,807,314	8,312,999	19,980,680	104,934,425	88.8%
Allocation	40,391,667	42,640,334	24,302,028	10,817,860	118,151,889	
Over / (Under) Allocation	(1,558,235)	(4,833,020)	(15,989,029)	9,162,820	(13,217,464)	

Other projects by exception for Board members to be aware of are as follows:

Fareham College - Civil Engineering Training Centre (CETC)

Further to the LEP Board 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. The College has responded to all pre-conditions and has agreed a draft funding agreement. This is now being reviewed by the Executive and Accountable Body and is expected to be executed shortly.

North Whiteley

The Consortium submitted their updated business case by the final deadline set by the LEP Board of 31 August 2018. A publishable version of the business case is currently open for consultation, which commenced on 10 September 2018 and closes on 5 November 2018. The business case is now undergoing full due diligence, undertaken by AECOM, and the final due diligence report is expected on 18 October, should the consortium respond in a timely manner to clarification questions. As such the final due diligence report will be considered by the LEP Board at its meeting in December. In the meantime, an interim due diligence update report from AECOM is attached at Annex D.

Natural Enterprise (Solent Growth Fund delivery partner)

Following the successful conclusion of an independent audit commissioned by the LEP Executive into Natural Enterprise's delivery of the Isle of Wight Rural SME Fund, the LEP Executive continue to engage with Natural Enterprise in order that the agreed funding for 2018/19 can now be drawn down. Following advice from FFPMG, the LEP SME Ambassador Brian Johnson will be undertaking site visits to a number of Isle of Wight based businesses who have benefited from the Fund, in order to further promote the re-launch of the Fund. In addition, a meeting is being scheduled between the LEP Executive and Natural Enterprise in order to review the strength of the project pipeline and to explore an in-principle indicative funding allocation for 2019/20 and 2020/21. An update on this meeting will come forward to the Board in due course.

5. Solent Prosperity Fund update

Following LEP Board approval, the Solent Prosperity Fund was launched on the 10 August 2018 in order to accelerate large capital projects with the potential to transform the Solent economy through co-investment of £0.5million to £14million alongside local partners across the Solent area.

Round one closed for applications on 28 September 2018 and, whilst no smaller SME applications were received, five large project applications were received. The projects submitted have a potential total value of up to £69million, representing a total potential LEP funding contribution of up to £33 million and the opportunity to leverage additional match funding of £36 million. Applications for loans are preferred under the fund and one application received under round one is seeking a mix of loan and grant funding to support their project. All other applicants are seeking grant funding. Board members should note that **the projects have not yet undergone any initial eligibility check.**

The submitted applications are currently being assessed by AECOM, and their report will be considered by the Large Project Advisory Panel (LPAP - date to be agreed) following receipt of a draft assessment report by AECOM during w/c 12 November 2018, who will provide advice to the LEP Board on short-listing. The LEP Board will then be invited at its December meeting to consider the due diligence report from AECOM alongside the advice of the Large Project Advisory Panel, and decide which projects will be invited to co-develop a HM Treasury Green Book compliant Full Business Case with the Solent LEP. This process is summarised in the timeline below:



Board members should note that round two of the Solent Prosperity Fund will close on 2 November 2018, and it is expected that there will be additional applications submitted for both large projects and SME business proposals. A webinar briefing event for scheme promoters who are considering submitting a Large Project bid has been scheduled for 18 October 2018. In addition, the Executive has been working with AECOM to produce a slide deck with audio, providing advice on the development of business cases. This will be made available on the Solent LEP website in October. An update on the position in relation to progress across the first two rounds of the Solent Prosperity Fund will be reported at the LEP board meeting in December 2018.

6. Solent Growth Hub

2018/19 is an important transition year for the Solent Growth Hub. In response to key stakeholder feedback, including BEIS (as part of the co-design meeting process) and the local business community (through a business engagement review led by the LEPs SME Ambassador), the Solent LEP is moving from a largely outsourced delivery model, to a hybrid model with the core Growth Hub serviced embedded directly within the LEP team.

As from 1st Sep 2018, Solent Growth Hub staff have transferred to the Solent LEP team through a TUPE process and all assets (including service critical assets such as contact data base, telephone service, email accounts and website) have been transferred to the Solent LEP. This first phase of the transition process has been undertaken successfully, with no break in service provision for SME users contacting the Growth Hub. This has been a key milestone and represents a significant change during Q1 and Q2 of 2018/19.

Q3 and Q4 of 2018/19 will see the LEP enter phase 2 of the transition; focussed on enhancing the service provision for local businesses, further embedding the Hub as a core element of the Solent LEPs business support service and targeting additional support towards those businesses in the Solent with the greatest potential to grow.

A more detailed update in relation to the work undertaken to develop the Growth Hub to date, as well as future plans to enhance the service, will be provided to the Innovation and Business Support Panel at their meeting w/c 22nd October 2018. The Panel will also be asked to consider and provide advice on the Growth Hub bi-annual report ahead of finalising this for submission to BEIS, ahead of their deadline of 31st October 2018.

7. 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 with 20 left to sell, 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. The site includes land which will form an extension to the basement car park of Phase 3 and a new landscaped open space to the south of the existing Phase 3 buildings.

Following an advance payment in 2017/18 of £2.4m Crest Nicholson (CN) have evidenced total spend of circa £28m, of which £2.2m is LEP funding, thereby exceeding the 85% LEP spend threshold in their funding agreement and enabling draw down of the next tranche of funding.

Annex A - M27 Junction 10 Q2 2018/19 Quarterly Monitoring Report

A confidential report will be considered at the meeting

Annex B – Stubbington Bypass Q2 2018/19 Quarterly Monitoring Report

A confidential report will be considered at the meeting

Annex C – IOW Council Due Diligence Progress note

A confidential report will be considered at the meeting

Annex D – North Whiteley Due diligence Progress Note

A confidential report will be considered at the meeting

19.10.2018

Item 10

Any Other Business



Item: 10
Title: Any other business – LEP Board forward plan
Date: 19th October 2018
Purpose: For information and decision

Draft Resolution:

The Board is asked to:

- **Consider and agree** the forward plan as set out below

Further to the previous Board meetings the forward plan has been updated as follows:

14 December 2018 (9.00 am to 11.30 am) - please note this is a board meeting and the Strategy session will follow)

- Update on Solent Energy Strategy
- Governance update to include;
 - Draft LEP Assurance Framework 2019
 - Preparation for AGM
 - Preparation for Solent Growth summit 2019
- LGD Update for 2018/19 programme and LGD 2019/20, the LGD Retained schemes and future years
- Draft Annual report for 2018
- Mid-Year Finance review

14 December Strategy session to follow board meeting (Session 1

- Solent Economic Profile and new economic forecasts to 2050
- Consideration of the Local Industrial Strategy for the Solent Area

Session 2

- Governance review including review of Articles of Association and board Composition
- GDPR update

15 February 2019 (9.00 am to 11.30 am)

- Draft Local Industrial Strategy and Strategic Plan
- LEP Business Plan for 2019/20
- Local Growth Update for 2018/19 programme and agreement of draft capital programme for 2019/20 to include LGD Retained schemes
- Financial Forecast Out turn for 2018/19 and financial forecasts for 2019/20 onwards and approval of interim budget for 2019/20