

AGENDA

Solent Local Enterprise Partnership

Meeting of the Finance, Funding and Performance Management Group (FFPMG)

to be held on Wednesday 3 April 2019

from 08:30 to 11:00

Item	Title	Time
1.	Introductions and apologies for absence	08:30 – 08:50
2.	Notes of the previous meeting of 25 January 2019 and extraordinary meeting of 15 February 2019, matters arising and declarations of interest	
3.	Funding and Finance update to include: <ul style="list-style-type: none"> • Local Growth Legacy schemes - Enterprise Zone update • ERDF and LGD Small Business Programmes • LGD Capital Programmes 2019/20 • Retained schemes to include update on Stubbington Bypass and proposed upgrade to M27 Junction 10 	08:50 – 10:10
4.	Solent Prosperity Fund to include update on Round 4	10:10 – 10:35
5.	Internal Audit 2018/19 update and outline plan for 2019/20	10:35 – 10:55
6.	Any Other Business	10:55 – 11:00

03.04.2019

Item 2

**Meeting notes of FFPMG meeting held on
25 January 2019**

and

**Meeting notes of extraordinary FFPMG meeting held
on 15 February 2019**

Solent Local Enterprise Partnership

Funding, Finance Performance Management Group (FFPMG)

Held on Friday 25 January 2019 in the Small Conference meeting room, Fareham College

8:30 am to 11.00 am

Present	In Attendance
Brian Johnson - Chair	Stuart Baker
Anne-Marie Mountifield	Steve Futter
Seán Woodward	Vicki Soris
James Fitzgerald (deputising for Chris Ward)	Nicola Twiddy
Keith Mans	Richard Jones
SJ Hunt (deputising for Kevin George)	Sophie Mallon
	Lizzi Goodwin
Apologies	
Chris Ward	
Kevin George	
Gerald Vernon-Jackson	Guests
	Ben Clark - University of Southampton (agenda item 4 only)
	Susan Davies - University of Southampton (agenda item 4 only)
Absent	
Stuart Hill	

Item		Action
1.	<p>Introductions and apologies for absence</p> <p>In the absence of Stuart Hill, Brian Johnson had agreed to Chair the meeting.</p> <p>The Chairman welcomed everyone to the meeting.</p> <p>Apologies for absence were received from, Kevin George, Gerald Vernon-Jackson and Chris Ward.</p>	
2.	<p>Notes of the meeting held on 9 November 2018</p> <p>The meeting notes from the meeting on 9 November 2018 were agreed by FFPMG and signed by the Chair.</p> <p><u>Matters Arising</u></p> <p><u>Floating Bridge (page 2 item 4)</u></p> <p>FFPMG were advised that the business case consultation period closed today. A summary of responses to the consultation would be provided at the February Board meeting.</p>	Executive

	<p><u>Fareham College Civil Engineering Training Centre (CETEC) (page 3 item 4)</u> FFPMG were advised that work had started on the project and was due to be completed in September 2019.</p> <p><u>National Maritime Systems Centre</u> FFPMG noted that the construction phase was due to start.</p> <p><u>Annual Performance Review</u> A short update was provided to FFPMG on the Annual Performance review and it was advised that a feedback letter was expected to be issued in February which would be considered at a Board meeting.</p> <p><u>Declarations of Interest</u></p> <p><u>Seán Woodward</u> Item 3 - Stubbington Bypass update (for noting only) Item 3 - M27 Junction 10 update (for noting only) Item 4 - North Whiteley (for noting only) Item 4 – CETC (for noting only)</p> <p><u>Keith Mans</u> Item 3 - Stubbington Bypass update (for noting only) Item 3 - M27 Junction 10 update (for noting only) Item 4 - North Whiteley (for noting only)</p> <p><u>Anne-Marie Mountifield</u> Item 4 - Z21 - for noting only due to former role on Web Science Institute Advisory Board</p> <p><u>James Fitzgerald</u> Item 4 - Solent Prosperity Fund (for noting only)</p> <p>The Chairman asked FFPMG Members to agree to reschedule agenda items at the meeting to facilitate a presentation from the University of Southampton on the Z21 Scheme.</p>	
3.	<p>Local Growth Deal Retained Schemes Update</p> <p>FFPMG took the update on the legacy programmes as read.</p> <p><u>M27 Junction 10 (Welborne)</u> FFPMG noted the update.</p> <p><u>Stubbington Bypass</u> FFPMG noted the updated.</p>	Executive
5.	<p>Financial Forecast year-end report</p> <p>FFPMG were provided with an update on the financial position of all LEP funds to 31 December 2018.</p>	Executive

	<p>FFPMG members endorsed the revised budget for 2018/19 of £36,634,658 and the revised budget for the period 2019/20 to 2021/22 and recommended it for approval by the LEP Board on 15th February 2019 which includes the following:</p> <ul style="list-style-type: none"> - The latest position of the Local Growth Deal Fund for the current financial year noting the challenges around future delivery; - The re-profiling and budget movements; - Advice in respect of the projects that are deemed as the highest risk in the current approved budget and; - The addition of the new funding for the implementation of the LEP review and Skills Advisory Panels <p>FFPMG members approved an additional allocation of £250,000 in 2019/20 and a further £250,000 in 2020/21 for the Natural Enterprise Small business programme.</p> <p>FFPMG also noted the following:</p> <ul style="list-style-type: none"> - the Corporate and Strategic Risk Register; - the current position of the Growing Places Fund; - the latest forecast position on the Local Growth Deal programme particularly in light of the key risks identified; and - the high level LGD Risk Matrix for the Local Growth Programme 	
4.	<p>Solent Prosperity Fund Update</p> <p>FFPMG noted the updates in relation the Solent Prosperity Fund.</p>	
8.	<p>Internal Audit 2018/2019 Update</p> <p>FFPMG members:</p> <ul style="list-style-type: none"> • Noted the progress against plan for Internal Audit activities and; • Considered the PCC Internal Audit on Purchasing Cards 	
6	<p>Final Draft LEP Assurance Framework 2019</p> <p>FFPMG members were advised that the National Local Growth Assurance Framework had been published on 8th January 2019.</p> <p>FFPMG members:</p> <ul style="list-style-type: none"> • Considered the Draft Assurance Framework and provided further advice on it; and; • Agreed to recommend the main LEP Board adopt the new Assurance Framework, subject to the final drafting amends noted. 	Executive
7.	<p>Draft Annual Business Plan 2019/20</p> <p>FFPMG members:</p>	Executive

	<ul style="list-style-type: none"> • Considered and Agreed the draft Annual Business Plan for 2019/20 as a basis for moving forward to a final draft for board consideration <p>Anne-Marie Mountifield left the meeting.</p>	
4.	<p>Local Growth Deal Update</p> <p><u>Floating Bridge</u> FFPMG noted the update.</p> <p><u>North Whiteley</u> FFPMG noted the update.</p> <p><u>Presentation from the University of Southampton - Local Growth Deal 2016/17 Legacy Project - Z21</u></p> <p>Ben Clark and Susan Davies from the University of Southampton provided a short presentation to FFPMG members which summarised the progress of the Z21 scheme.</p> <p>Following the presentation, Ben and Sarah left the meeting.</p> <p>Sean Woodward left the meeting.</p> <p>FFPMG:</p> <ul style="list-style-type: none"> • Considered the presentation from the University of Southampton and approved a contract variation for the Z21 project. <p><u>Solent Growth Fund - Capital Investment Fund 2018/19 legacy project - Esprit Electronics Ltd</u></p> <p>FFPMG:</p> <ul style="list-style-type: none"> • Considered the independent due diligence report and Agreed the recommendation to approve funding to Esprit Electronics Ltd 	Executive
9.	<p>Any other Business</p> <p>There was no other business</p>	

Meeting closed at 11.12am



Solent Local Enterprise Partnership

Extraordinary meeting of the Funding, Finance Performance Management Group (FFPMG)

Held on Friday 15th February 2019 at Fareham Innovation Centre, Solent Enterprise Zone

12:23 to 13.20

Present	In Attendance
Stuart Hill – Chair	Stuart Baker
Anne-Marie Mountifield	Steve Futter
SJ Hunt	Vicki Soris
Sean Woodward	Nicola Twiddy
Rachael Randall - Board member and Chair of LPAP	Richard Jones
David Youngs - Board member	Wayne Layton – PCC
Gary Jeffries - Board member	

Item		Action
1.	<p>Welcome and Introduction</p> <p>The Chairman welcomed everyone to the meeting. He advised that at the earlier LEP Board meeting that the Board had delegated authority to FFPMG to decide which applications to round 2 of the Large Project component of the Solent Prosperity Fund (SPF) should or should not be invited to co-develop a full business case in partnership with Solent LEP and that, as a result, an extraordinary meeting of FFPMG had been convened to consider this matter.</p> <p>It was also noted that the Board had also delegated authority to FFPMG to decide which projects should or should not be invited to develop a full business case in partnership with the LEP for round 3 and round 4 (when closed) of the Solent Prosperity Fund and that this arrangement would be reviewed by the Board at their next meeting in May 2019.</p> <p>Given this was an extraordinary FFPMG meeting, the Chair of the LEP Board had asked that it be opened up to all Board members who had indicated that they had no declaration of interests in the funding applications submitted for consideration and this had been agreed by the Board.</p>	
2.	<p>Declarations of Interest</p> <p>Sean Woodward declared an interest in item 3 - Update on the Solent Prosperity Fund.</p>	
3.	<p>Update on Solent Prosperity Fund – round 2 applications and consideration of round 3 applications</p> <p>Sean Woodward declared an interest in this item and FFPMG considered a short representation from Sean Woodward who then withdrew from the meeting.</p> <p>FFPMG considered a report that updated them on the overall SPF programme and progress to date. They received a briefing on the outcome of the round 2 applications including an update from the Chair of the Large Projects advisory panel on their advice and considered the independent consultant executive summary report (as set out in Annex A) and agreed the recommendations as set out in the report and delegated authority to the executive to notify outcomes to round 2 applicants.</p> <p>FFPMG also considered an update in relation to the round 3 applications and received an update from the Chair of Large Project advisory panel confirming that the panel had met on the 14th February 2019 to consider the round 3 applications.</p> <p>FFPMG noted and confirmed their support in principle for the advice and recommendations of the Large Projects advisory panel and they agreed to reconvene electronically to consider the independent consultant report during w/c 25th February 2019.</p> <p>FFPMG asked the Executive and accountable body to circulate the independent consultant report as requested and they agreed to finalise their decision in relation to round 3 during week commencing 25th February 2019.</p> <p>FFPMG members:</p>	Executive

	<ul style="list-style-type: none"> • Noted the update on the Large Project component of the Solent Prosperity Fund following rounds one and two and three and; • Considered the update on Round two applications and Agreed the independent consultant executive summary report and the recommendations contained therein on the round two applications; and • Considered the update on round three applications and Agreed in principle to support the LPAP recommendation for round three, subject to the supporting documents being circulated to FFPMG members for consideration. <p>FFPMG also received an update on the general status of the SPF programme pipeline.</p>	
--	---	--

Meeting closed at 13:20pm

03.04.2019

Item 3

Funding and Finance update

Item Number: 3
Item Title: Finance, Local Growth Deal and Retained Schemes update
Meeting Date: 3 April 2019
Purpose: For Information and 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 an update on any material financial changes following the LEP Board meeting on 15th February 2019 together with updates by exception on the Local Growth Deal (LGD) programme including the schemes assigned retained funding via the Department for Transport (DfT).
 It highlights the main areas of risk and advises the action that is required to mitigate those risks identified.

2. Recommendations

- 2.1 It is recommended that the FFPMG:

- **Endorse** the revised Local Growth Deal Programme as set out in appendix A and recommend it for approval by the LEP Board on 10th May 2019

The FFPMG are also asked to:

- **Note** the high level LGD Risk Matrix for the Local Growth Programme and Retained Schemes, the Corporate and Strategic Risk Register and the Growing Places Loan Summary attached at appendix B
- **Note** the submission of the funding application to MHCLG for £500,000 of core funding and £200,000 of funding for the implementation of the LEP Review
- **Note** the updates in relation to the Local Growth Deal capital programme and the Retained Schemes update
- **Note** the other project updates reported by exception in paragraph 6 of this report.
- **Note** the update in relation to the Solent Enterprise Zone retained rates.
- **Note** the update provided on the Local Growth Deal programme in appendix C and **Provide advice** to the Board accordingly.
- **Note** the update in relation to the Floating Bridge and **Consider** the draft summary of consultation responses attached at appendix D and **Agree** it for publication by 19 April 2019.
- **Note** the update in relation to provision of SME Support; and **Provide advice** to the LEP Executive in order that the proposals can be further refined ahead of the LEP Board meeting in May 2019.

3. Finance Overview

The revised budget for 2018/19 and the forecast budget for 2019/20 and future years have recently been agreed by the LEP Board at their meeting on 15 February. Due to this and the fact that there has been little change since that meeting this report does not set out a full set of revised financial appendices but instead concentrates on any material changes and risks since last reported.

4. Analysis of the Key Issues and Variances against the Approved Budget for 2018/19

4.1 Solent Growth Fund (SGF) - SME Support

There are some small payments to make before the end of the financial year and grant claims have been received which are currently being processed.

As previously reported the Natural Enterprise grant programme has been performing well and a funding agreement has been drawn up for the agreed allocations of £250,000 for both of the financial years 2019/20 and 2020/21. Due to the good progress being made and a strong pipeline of projects being in place it is likely that the 2019/20 allocation will be paid in advance in the current financial year.

4.2 Local Growth Deal 2018/19

The latest status of the LGD programme is set out in appendix A including the forecast outturn position as at 31 March 2019.

This reflects the agreement of the LEP Board at their meeting on 15 February 2019 to carry forward £22.7m of the cumulative funding received to date but not forecast to be spent in the current financial year. This funding is being carried forward into future years where it has either been approved for specific projects, indicatively earmarked to projects or allocated for programmes that are open for funding calls. The FFPMG are reminded that the entirety of the LGD funding is fully allocated under a mix of these categories to 31 March 2021.

Table 1 below illustrates the forecast year-end position of the 2018/19 capital programme, in respect of open funding calls and projects under negotiation or at funding agreement stage, is £31,263,167 which is 94.2% of the total LGD Capital Funding allocated to 31 March 2019. It should be noted that there remains £1,934,977 of funding received which is earmarked for projects due to commence in later years.

Table 1: LGD Capital projects approved / under negotiation in 2018/19

Solent Growth Fund Programme - SME support (2018/19)	£710,000
Solent Growth Fund Programme Management Costs	£129,064
LGD matched funding towards the ERDF grants programme	£321,000
Local Growth Deal Programme Management	£366,564
Innovation programme Fund (2018/19) - Programme Management Costs	£34,869
<i>Local Large Major transport schemes (Solent Metro)</i>	<i>£660,503</i>
<i>Solent Development Fund</i>	<i>£223,500</i>
<i>Fareham College - Civil Engineering Training Centre</i>	<i>£2,833,000</i>
<i>National Maritime Systems Centre</i>	<i>£3,320,666</i>
<i>Southampton Solent University - Warsash School of Maritime Science and Engineering</i>	<i>£5,164,000</i>
Sub Total	£13,763,167
Under negotiation / due diligence with scheme promoters	
Stubbington Bypass (further advance)	£3,500,000
<i>North Whiteley</i>	<i>£14,000,000</i>
Sub Total	£17,500,000
Total Programme Allocation (a)	£31,263,167
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) (note 2)	£33,198,144
Balance of LGD programme funding earmarked to projects starting in future years (e) = (d) - (a)	£1,934,977

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

Note 2: Some of this funding is being carried forward into 2019/20 as set out in table 2 below

FFPMG members should note however that the latest position in table 2 below shows that the forecast defrayal of funding approved in the current year will be significantly lower, with expenditure currently expected to be £10,690,532. This is 98.8% of the funding allocation of £10,817,860 for 2018/19. However it should also be noted that there will be a carry forward to 2019/20 of nearly £22.7m because of project slippage over the course of the programme to date in key schemes.

Table 2: Forecast LGD Capital programme expenditure against the 2018/19 allocation

Solent Growth Fund Programme - SME support (2018/19)	£710,000
Solent Growth Fund Programme Management Costs	£129,065
LGD matched funding towards the ERDF grants programme	£321,000
Local Growth Deal Programme Management	£366,564
Innovation programme Fund (2018/19) - Programme Management Costs	£34,869
Local Large Major transport schemes (Solent Metro)	£25,000
Solent Development Fund	£86,750
National Maritime Systems Centre	£2,564,664
Fareham College - Civil Engineering Training Centre	£2,408,050
Southampton Solent University - Warsash School of Maritime Science and Engineering	£4,044,570
Total Programme Forecast Expenditure (a)	£10,690,532
Solent Growth Deal Award 2018/19 (b)	£10,817,860
Carry Forward from LGD 2017/18 (c)	£22,380,284
Carry Forward to LGD 2019/20 (d)	(£22,678,976)
Total LGD Capital Programme Funding 2018/19 (e) = (b) + (c) + (d)	£10,519,168
In year over allocation of LGD programme funding for approved and indicatively earmarked schemes (f) = (e) - (a)	(£171,364)

Based on the figures in table 3 below, the cumulative LGD expenditure up to and including 31 March 2019 is forecast to be £95.6m (81.0%) against a cumulative budget of £118m, which leaves a balance of £22.7m of funding that is has been carried forward into future years for approved or earmarked schemes. This is due to a delay in some scheme start dates and it should also be noted that some of the schemes in the capital programme for 2018/19 will continue into 2019/20 and 2020/21.

Table 3: Local Growth Deal Summary of Expenditure vs Allocation in year to 31 March 2019

	Actual 2015/16 (£)	Actual 2016/17 (£)	Actual 2017/18 (£)	Forecast 2018/19 (£)	Total Cumulative Forecast to 31/03/2019	Cumulative spend vs allocation to 31/03/2019
LGD Expenditure	38,833,432	37,807,314	8,312,999	10,690,532	95,644,277	81.0%
LGD Allocation	40,391,667	42,640,334	24,302,028	10,817,860	118,151,889	
Funding carried forward for approved or indicatively earmarked schemes in future years.	(1,558,235)	(4,833,020)	(15,989,029)	(127,860)	(22,678,976)	

In terms of defrayal before the end of the financial year there is still significant activity taking place and at the point of writing this report we are processing claims for the following schemes:

- Fareham College - Civil Engineering Training Centre
- National Maritime Systems Centre
- Warsash School of Maritime Science and Engineering

At the last meeting of the LEP Board on 15th February 2019 it was reported that all of the above claims (totalling £9m) were expected and they were already included in latest forecast outturn position.

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

a. Local Growth Deal (LGD) - 2019/20 onwards

This continues to be the area of the highest financial risk in relation to defrayal of funding by 31 March 2021 for the LEP. Appendix A sets out the latest LGD position, showing the most recent re-profiling between financial years and highlights for FFPMG members where the differences in funding available and schemes readiness to incur expenditure occurs.

The FFPMG are asked to note that of the total £177.3m LGD and DfT Retained Funding allocated to the LEP to 31 March 2021, almost £99.3m has been spent in the first four years to 31 March 2019 leaving a further £78m (44.0%) to be spent in the remaining two years and the majority of this relates to funding earmarked for complex, multi-year transport schemes.

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

b. M27 Junction 10

Further to the update at The LEP Board meeting on 15 February 2019, which included a presentation from local project promoting / delivery partners, and the extraordinary FFPMG meeting on the same date an update on this scheme will be provided at the meeting and in the interim an update report is provided to FFPMG members in appendix C.

c. Stubbington Bypass:

Hampshire County Council will attend the meeting and provide an update on progress.

d. North Whiteley

Following the LEP Board consideration of the independent due diligence report in December 2018, the LEP and Accountable Body are working with the scheme lead to take this forward. An update will be provided at the meeting.

6. Other Project Updates reported by exception

a. Enterprise Zone Retained Rates

The independent advice by consultants on the treatment of retained rates at the Solent Enterprise Zone (EZ) was considered and agreed by the Board at its meeting in October 2018.

A meeting to progress this matter is scheduled to include the LEP Executive, the accountable body, and the two rating authorities for 20 March 2019, and a verbal update will therefore be provided at the FFPMG meeting.

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

Following the LEP Board consideration of the independent due diligence report in December 2018 the consultation period for the revised Full Business Case concluded on 25 January 2019, and the Board considered the consultation responses at the Board meeting in February 2019. They also agreed to delegate authority to FFPMG to consider a summary of responses for publication by the LEP by 19 April 2019. The summary of consultation responses is therefore included in appendix D.

Accordingly, FFPMG are asked to:

- **Consider** the summary of consultation responses in appendix D; and
- **Agree** to the publication of the summary by 19 April 2019.

c. SME Support - Small Business Programme (ERDF)

Further to previous advice from the Solent LEP Board, the LEP Executive and Accountable Body (AB) have continued to engage with the managing authority (MA), the Ministry for Housing, Communities and Local Government (MHCLG), for the ERDF funded Small Business Programme (SBP) in order to secure a range of flexibilities to enable the effective delivery of the SME investment programme over a longer period of time.

Following a meeting between the LEP, AB and representatives from the MA on 25 February 2019, the LEP Board have been asked to consider a range of options in relation to the SBP, and provide a final decision on the way forward to MHCLG before the end of the 2018/19 financial year.

A verbal update will be provided at the FFPMG meeting.

d. SME Support - Solent Prosperity Fund

The LEP Executive and Accountable Body (AB) have been working together with the LEP's Business Support Investment Panel (BSIP) to explore the possibilities of recalibrating the current Solent Prosperity Fund to take into account a number of key changes since its launch in August 2018, which are:

- The publication of "Strengthened Local Enterprise Partnerships" by HMG and subsequent response from the LEP.
- The Chancellor's Budget on 29 October 2018 and subsequent launch of HMG's £675m Future High Streets Fund.
- HMG's £1.6bn Stronger Towns Fund announced on 4 March 2019.
- The evidence base for addressing SME productivity.

The BSIP also advised that the promotion of the funds should be increased, and that the LEP Executive and Solent Growth Hub could have a more visible presence at the broad range of business support events run by other organisations across the Solent area.

Work will continue in this area and a further update will be presented to the LEP Board in May 2019 for further consideration.

Accordingly, FFPMG are asked to:

- **Note** the update in relation to provision of SME Support; and
- **Provide advice** to the LEP Executive ahead of the LEP Board meeting in May 2019.

e. Local Growth Deal Legacy Projects - Newgate Lane South and A27 Segensworth to Titchfield

Two of the Local Growth Deal legacy projects, funded as part of the Fareham and Gosport package and delivered by Hampshire County Council (HCC), are currently reporting an estimated underspend. In line with the LGD any unspent funds are returned to the LEP in order that these funds can be made available to other schemes.

The financial forecasts will be updated once the confirmed underspend has been finalised.

f. Regional Growth Fund - Programme Closure

Following a meeting with our HMG monitoring officer in relation to the LEP's Regional Growth Fund (RGF) programme on 29 January 2019, the LEP Executive and Accountable Body Portsmouth City Council are working with HMG to undertake a final reconciliation exercise across all programmes and a verbal update on this work will be provided at the meeting.

7. Operational Costs and Capacity Funding

Since the last Board meeting the LEP Executive and the Accountable Body have submitted the application for the Core Funding for £500,000 for 2019/20 and also for an additional £200,000 to continue to support the implementation of the LEP review.

The £500,000 had been previously advised and is already included in the budget however the additional £200,000 will be added to the financial forecasts which will be presented to the Board at its meeting in May 2019.

The Accountable Body are undertaking a final review of recharges prior to the end of the financial year and these will be reflected in the final outturn position.

8. Financial Summary

The latest forecast outturn for the LGD programme for 2018/19 is set out in appendix A.

The main financial risks are set out above (and in appendix C) and the FFPMG are asked to consider the latest information available in order to ensure that mitigating actions can be taken to help maximise the defrayal of expenditure within the timelines set by Government particularly in light of the significant amount of funding that still needs to be defrayed by 31 March 2021.

9. Summary of Recommendations

9.1 It is recommended that the FFPMG:

- **Endorse** the revised Local Growth Deal Programme as set out in appendix A and recommend it for approval by the LEP Board on 10 May 2019

The FFPMG are also asked to:

- **Note** the high level LGD Risk Matrix for the Local Growth Programme and Retained Schemes, the Corporate and Strategic Risk Register and the Growing Places Loan Summary attached at appendix B
- **Note** the submission of the funding application to MHCLG for £500,000 of core funding and £200,000 of funding for the implementation of the LEP Review
- **Note** the updates in relation to the Local Growth Deal capital programme and the Retained Schemes update
- **Note** the other project updates reported by exception in paragraph 6 of this report.
- **Note** the update in relation to the Solent Enterprise Zone retained rates.
- **Note** the update provided on the Local Growth Deal programme in appendix C and **Provide advice** to the Board accordingly.
- **Note** the update in relation to the Floating Bridge and **Consider** the draft summary of consultation responses attached at appendix D and **Agree** it for publication by 19 April 2019.
- **Note** the update in relation to provision of SME Support; and **Provide advice** to the LEP Executive in order that the proposals can be further refined ahead of the LEP Board meeting in May 2019.

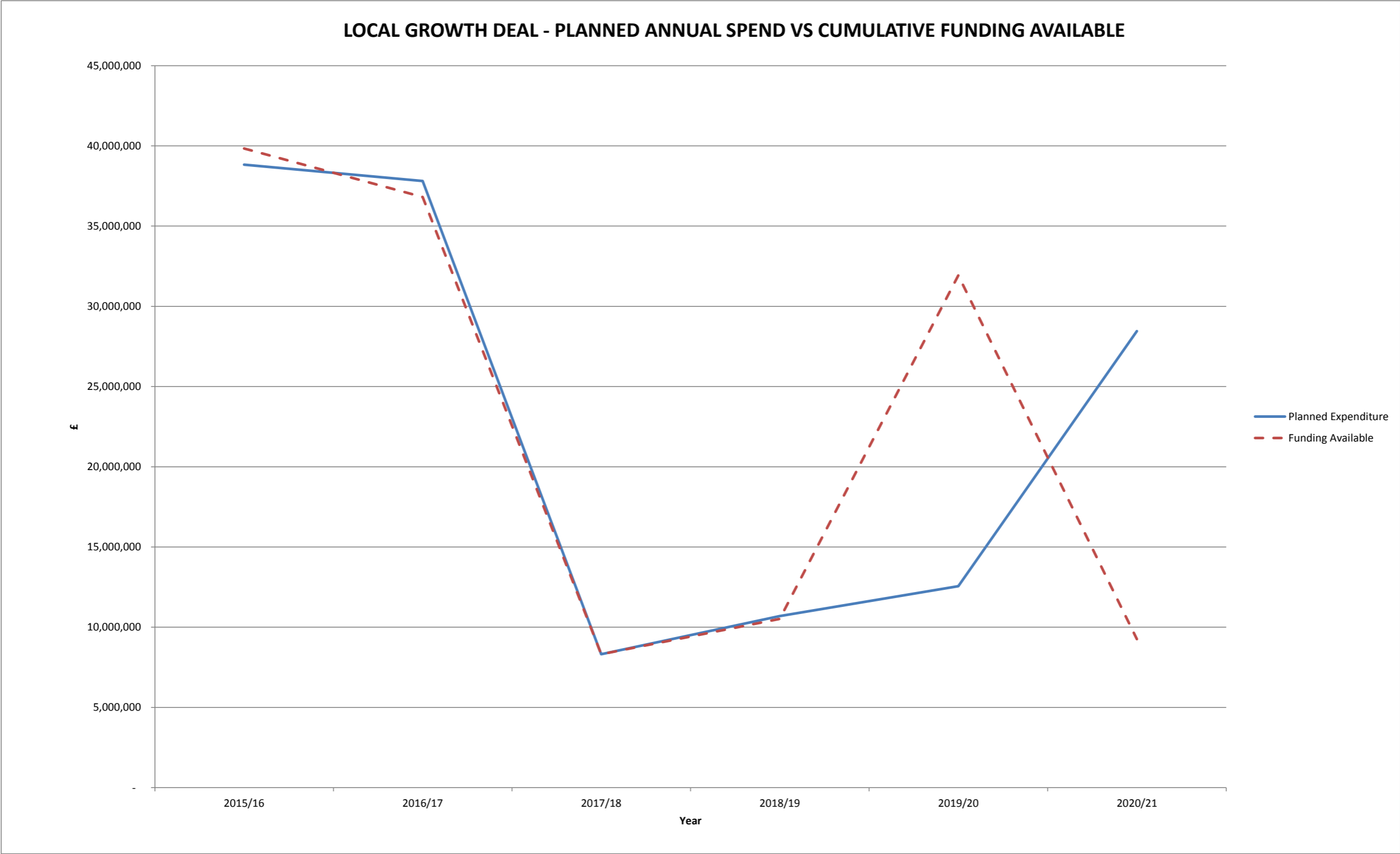
SOLENT LOCAL ENTERPRISE PARTNERSHIP - LOCAL GROWTH DEAL FUNDING BY SCHEME (NET OF DfT RETAINED SCHEME FUNDING)							
SCHEME NAME	Actual 2015/16	Actual 2016/17	Actual 2017/18	Budget 2018/19	Budget 2019/20	Budget 2020/21	Total Budget
Solent Growth Fund (Growth deal - 2015/16 to 2021) / - SME Support from Solent Prosperity Fund (2018/19 to 2020/21)	355,932	1,405,872	306,473	710,000	2,290,000	1,500,000	6,568,277
LGD matched funding towards the ERDF grants programme			73,810	321,000	605,190		1,000,000
Solent Growth Fund (Growth deal - 2015/16 to 2021) - Programme Management	150,500	149,500	179,150	129,065	141,785	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	366,564	251,718	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	34,869	5,587		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	2,564,664	756,002		5,000,000
Local Large majors (Solent Metro and SAEG)		-	339,497	25,000	635,503		1,000,000
BAE Marine Workshops and Marine Support Centre		943,066					943,066
Solent Growth Deal Programme Development Fund		-		86,750	136,750		223,500
Stubbington Bypass - advance (note 1)		3,500,000			3,500,000		7,000,000
Stubbington Bypass - repayment (note 1)					(7,000,000)		(7,000,000)
Fareham College - Civil Engineering Training Centre				2,408,050	424,950		2,833,000
Southampton Solent University - Warsash School of Maritime Science and Engineering			2,300,000	4,044,570	1,119,430		7,464,000
North Whiteley		-	-	-	3,243,970	10,756,030	14,000,000
Design and Construction of M27 Junction 10 (note 2)	-	-	-	-		14,150,000	14,150,000
Solent Prosperity Fund				-	6,450,000	1,653,808	8,103,808
SUB-TOTALS:	38,833,432	37,807,314	8,312,999	10,690,532	12,560,885	28,452,099	136,657,261
LGD funding committed / approved or indicatively earmarked across future years		-		(171,364)	19,370,777	(19,199,413)	0
TOTAL EXPENDITURE ON APPROVED LOCAL GROWTH DEAL SCHEMES	38,833,432	37,807,314	8,312,999	10,519,168	31,931,662	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	10,519,168	31,931,662	9,252,686	137,657,261
<u>FUNDING AGREED / INDICATIVE ALLOCATIONS</u>							
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)	(298,692)	22,678,976	-	-
TOTALS:	39,833,432	37,807,314	8,312,999	10,519,168	31,931,662	9,252,686	137,657,261
Variance:	0	0	0	0	0	0	0

Notes:

- The initial £3.5m allocation for Stubbington Bypass is at present an advance at risk from the LGD due to DfT not agreeing to release any retained scheme funding over £2m until final tendered costs are received in February 2019. The repayments to the LGD are assumed to be £1.5m from the GPL Fund and the £2m advanced by DfT. The further £3.5m advance programmed for 2018/19 is to reduce the borrowing costs that HCC would incur if they had to start financing the scheme early themselves. This will be replaced by the approved GPL allocation when it is required for other LGD projects
- The funding to enable this scheme to proceed is indicatively earmarked and is subject to:
 - timely receipt and approval of a full business case by DfT and Solent LEP;
 - The scheme being able to fully defray the funding available by 31 March 2021;
 - Receipt of the full 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
Stubbington Bypass	0	0	2,000,000	18,000,000	5,700,000	25,700,000
M27 Junction 10 (note a)	0	0	2,150,000		12,750,000	14,900,000
Totals:	-	-	4,150,000	18,000,000	18,450,000	40,600,000

Notes:
(a) The £2.15m 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 B
Local Growth Programme
and DfT Retained Schemes Risk Matrix

A confidential report will be considered at the meeting

APPENDIX B
Corporate and Strategic
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)	(11,665,384)	(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	0	3,500,000	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	632,021	846,434	425,000		2,176,294
Sub-total: Contingency Provisions	0	0	230,839	42,000	0	632,021	2,346,434	425,000	0	3,676,294
Growing Places Loan Fund Programme Management Costs			75,000	51,426	24,090	18,450	131,034			300,000
Total: Contingency Provisions and Growing Places Loan Programme Management Costs	0	0	305,839	93,426	24,090	650,471	2,477,468	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)						(11,665,384)	(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

APPENDIX C

Finance, Local Growth Deal and Retained Schemes update - M27 Junction 10 Risk

A confidential report will be considered at the meeting

APPENDIX D

Summary of Consultation Responses for the Floating Bridge

A confidential report will be considered at the meeting

03.04.2019

Item 4

**Solent Prosperity Fund to include
update on Round 4**

Item Number: 4
Item Title: Solent Prosperity Fund Update
Meeting Date: 3 April 2019
Purpose: For Information

1. Introduction

This report updates FFPMG on the Large Project component of the Solent Prosperity Fund (SPF), including a high level update following the closure of round four.

2. Recommendations

It is recommended that the FFPMG:

- **Note** the update on the Large Project component of the Solent Prosperity Fund, following rounds one to four; and
- **Note** and **Agree** the report in appendix A.

3. Overview

This paper updates FFPMG on the status of the Large Project component of the Solent Prosperity Fund, following the closure of rounds one to four.

The available funding within the Solent Prosperity Fund is £18,267,000, which is made up of: £9,263,000 Loan and £9,004,000 Grant.

4. Rounds One to Three

Across rounds one to three of the large project component of the SPF, the LEP received 11 applications. These are summarised in annexe 1. Table 1, below provides a high level summary of the SPF projects received across rounds 1-3.

Table 1 - High Level Summary of SPF Large Projects applications received in Rounds One to Three

Funding Round Number	Project Type	Total Projects Cost (£m)	LEP Funding Request (£m)				3 rd Party Contribution (£)
			Grant	Loan	Equity	Total Request	
1	3 x Infrastructure 1 x Innovation 1 x Skills	£61.62	£24.4	£7.4	£1.0	£32.8	£28.65
2	2 x Skills 1 x Business Support	£25.57	£10.27	-	-	£10.27	£15.30
3	2 x Infrastructure 1 x Business Support	£150.71	£7.98	-	-	£7.98	£142.74

A further update on the progress of projects is provided in the report attached in appendix A.

5. Round Four

Round 4 closed on the 15 March 2019. Table 2 provides a high level summary of the applications received.

Table 2 - High Level Summary of SPF Large Project applications received in Round Four

Number of Projects	Project Type	Total Project Cost (£m)	LEP Funding Request (£m)				3 rd Party Contribution (£m)
			Grant	Loan	Equity	Total Request	
7	1 x Infrastructure 1 x Innovation 4 x Skills 1 x Business Support	£108.86	£34.07	£7.40	-	£41.47	£67.41

In accordance with the published process, these seven Round four applications will be considered by the Large Project Advisory Panel on the 9 April 2019 and will be independently assessed by consultants. A report will be presented to the LEP Board at its meeting on 10th May 2019, including the independent assessment by the consultants.

6. Summary of Recommendations

It is recommended that the FFPMG:

- Note the update on the Large Project component of the Solent Prosperity Fund, following rounds one to four; and
- Note and Agree the report in appendix A.

Appendix A – Report on the Solent Prosperity Fund Rounds 1 to 4

A confidential report will be considered at the meeting

03.04.2019

Item 5

**Internal Audit 2018/19 update and
outline plan for 2019/20**

Item: 5
 Title: Internal Audit Update
 Date: 3 April 2019
 Purpose: For information & approval

1. Recommendations:

It is recommended that the FFPMG:

- Note the progress against plan for Internal Audit activities and
- Consider the following PCC Internal Audit reports, Governance & Decision Making Framework, IT Infrastructure and Ethical Framework as set out in annexe A.
- Approve the proposed 2019-20 annual audit plan as set out in annexe B.

2. Background

There is no legal requirement for the Solent LEP to procure internal auditing services, however as the accountable body Portsmouth City Council, is required to 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes' in accordance with the Accounts and Audit Regulations 2015 Section 5. Solent LEP and PCC signed a Service Level Agreement for the provision of Internal Audit Services for a period of three years commencing in 2017/18.

3. Purpose of report

This report is to inform the FFPMG of the status of the agreed audits and to give a summary of the audits completed since the last reporting period as detailed above (annexe A).

In addition this report also presents the proposed 2019/20 annual audit plan for consideration and approval. Progress against the agreed plan will be communicated to FFPMG throughout the course of the year.

4. Reporting on progress to plan:

Seven audits have been completed, four have been previously reported and the remaining three completed since the last reporting period are detailed in annexe A. Progress has been made against the agreed plan which was approved in the September 2018 meeting. Future updates will be provided as and when completion of the plan is made.

The audit plan agreed for 2018/19 and its status is as follows;

Activity	No. of days	Comments for proposed	Status
Governance & Decision Making Framework	10	Part of Assurance Framework already in place & regularly reported, review to consider the compliance with these requirements.	Completed, details of which are included in annexe A
Risk Management	5	Review carried out in 2017-18, follow up required of exceptions raised. This work will also include an assessment of the new framework	Proposed move to the 2019/20 audit plan.

Activity	No. of days	Comments for proposed	Status
		and specifically intervention arrangements when projects deviate from agreed plans.	
IT Infrastructure	2	Review carried out during 2017-18, follow up audit required to assess implementation of agreed actions to address risk exposure.	Completed, details of which are included in annexe A
Ethical Framework, (including code of conduct, gifts & hospitality and declarations of interest).	5	Review to include an assessment of the arrangements (recording, reporting and transparency) in place.	Completed, details of which are included in annexe A
Compliance with FOI & GDPR requirements	5	FOI submissions facilitated by PCC under SLA. Review of include assessment of GDPR arrangements in place.	Proposed move to the 2019/20 audit plan.
Recruitment & retention of staff	10	Review to include an assessment of the arrangements in place covering both staff and board members.	Proposed move to the 2019/20 audit plan.
Local Growth Deal grant sign off	5	Grant verification annual sign off.	Completed.
Centenary Quay Grant and separate process review.	5	Grant Verification & progress review.	Both Completed.
Foundations for Growth Capital Grant (Enterprise Zone)	5	Grant Verification	Proposed move to the 2019/20 audit plan.
Funding Contracts	2	Review to include an assessment of the arrangements in place to hold and allow access to funding contracts.	Scheduled quarter 4
Purchase Cards	2	Review to include an assessment on compliance with Financial Rules.	Completed.
Investigations	14	Scope to be determined as and when required.	Ad hoc as required
Contingency	10	Scope to be determined as and when required.	Ad hoc as required
	80		

5. Summary of the audits completed since the previous reporting period:

The results of the following audits, Governance & Decision Making Framework, IT Infrastructure and Ethical Framework are contained in the confidential report annexe A

6. Summary

Progress has been made on the 2018/19 audit plan. It is anticipated that all fieldwork will be completed by the end of March 2019, with reporting completed by June 2019.

The 2019-20 annual audit plan is presented for consideration and approval. The results of the plan of works will be reported regularly to this group. It is anticipated that all work will be completed by the end of March 2020.

7. Summary of Recommendations

FFPMG members are asked to;

- **Note** the progress against plan for Internal Audit activities and
- **Consider** the following PCC Internal Audit reports, Governance & Decision Making Framework, IT Infrastructure and Ethical Framework as set out in annexe A.
- **Approve** the proposed 2019-20 annual audit plan as set out in annexe B.

Annexe A – Internal Audit reports for Governance & Decision Making Framework, IT Infrastructure and Ethical Framework

The confidential reports will be considered at the meeting

Annexe B – Proposed 2019/20 Internal Audit Plan

A confidential report will be considered at the meeting.