

Item Number: 4
Item Title: Local Growth Deal Programme and Getting Building Fund Update
Meeting Date: 26 November 2021
Purpose: For Information, Advice and Decision

1. Introduction

- 1.1 This report provides the Solent Growth Forum (SGF) with an update on the position of the Local Growth Deal (LGD) and the Getting Building Fund (GBF) at the mid-point of the 2021/22 financial year.
- 1.2 The report sets out the progress, key risks and mitigation actions as appropriate across the LGD and GBF for the SGF to consider that ensures that projects are delivered successfully, that all of the LEP's funds are managed proactively and to mitigate the potential to have to return any funding to Government.

2. Recommendations

- 2.1 It is recommended that SGF:
- **Note** latest position of the Local Growth Deal and Getting Building Funds as set out in appendices A and B respectively.
 - **Note** the update in relation to the LGD tail and the ongoing GBF projects as set out in paragraphs 4.1 and 5.
 - **Note** the updates provided in relation to progress on the Local Growth Deal and Getting Building Fund programmes, including the Annual Progress Reviews.
 - **Note** the updates provided in relation to the Rural SME and Crowdfunder programmes.

3. Local Growth Deal and Getting Building Fund Reporting

The positions of the LGD and GBF are reported formally to each meeting of the LEP Board and the finance sub-group, the Finance, Funding and Performance Management Group (FFPMG). At each of these meetings the LEP executive and the Accountable Body provide an update on each of the programmes from a financial and delivery aspect, highlighting any risks by exception for the Board and FFPMG to consider. As well as the formal monitoring of the programmes the LEP Executive and Accountable body discuss project progress on a regular basis and liaise with schemes leads as appropriate.

4. Local Growth Deal (LGD)

4.1 Local Growth Deal Tail

As reported to previous meetings there is an agreed LGD funding tail of £33m in 2021/22 to manage and including the claims accrued for 17 claims have been received totalling £23m which are either paid or at different stages of processing prior to payment.

The approval process is robust due to the significant sums involved especially where many of the claims represent the final payments to projects. The result of this is that it does take time to satisfy the due diligence on each claim however it is expected that a significant number of payments will be made by the end of quarter 3 which will be reflected in the actual expenditure in the financial forecasts accordingly.

In line with previous updates, variations have been agreed with some of the larger complex schemes that mean that a funding tail has now been re-profiled into 2022/23. As a capital switch has previously been actioned this does not pose any financial risk to the LEP and delivery is still progressing well.

Ultimately there is no expectation that there will be any remaining LGD funding after all of the projects are complete and there is no risk of having to return any of the LGD back to government.

Progress on the defrayal of all of the tail funding will continue to be reported at each FPPMG and Board meeting in order to enable all members to track progress against each of the remaining projects.

The financial status of the entire LGD programme can be found at appendix A.

5. Getting Building Fund (GBF)

Similar to the LGD programme the GBF is time limited with the full allocation of £15.9m needing to be defrayed by the end of the 2021/22 financial year. The year one defrayal target (50%) was achieved with a small tail running into 2021/22 leaving a remaining balance of £8.6m that needs to be fully defrayed by 31 March 2022.

The financial status of the GBF programme is attached at appendix B.

Following Board approvals of seven projects, all now have executed funding agreements in place and are in the delivery phase. Following approval by the LEP Board at their meeting in October of the principles around the use of freedoms and flexibilities afforded to the LEP by HM Government in their management of the funds associated with the GBF, work has progressed to agree variations with two of the projects.

6. LGD and GBF Annual Progress Reviews for Projects.

As has been the case for the last two years, the Delivery Team within the LEP have been undertaking a series of Annual Progress Reviews (APRs) for all projects within the LGD portfolio. These APRs take the form of a face-to-face meeting, albeit convened virtually given the current circumstances, between the project leads, the LEP Executive and Accountable Body finance team. The meeting purpose is dictated by a pre-meeting report which is completed by all project leads ahead of the meeting and provides a valuable opportunity to review progress over the preceding 12 months, highlight any good news stories, and focus in on any key issues faced by the individual projects.

This APR process has now been extended to take in the seven contracted GBF projects, thereby ensuring APRs are completed for all large capital projects within the LEP portfolio.

The APR guidance document and associated pre-meeting report templates are attached at Appendix C for the information of SGF members.

At the time of writing, 36 of the total 37 APRs have taken place since 13 September, and all will be completed by 16 November. Some common themes have emerged, and an update will be provided at the meeting.

The feedback provided has informed the LEP's gathering of business intelligence and has been fed into our regular reports to HM Government.

7. Other Programme Fund Updates

Isle of Wight and New Forest Rural SME Funds - Natural Enterprise

Natural Enterprise, an organisation based on the Isle of Wight, has been successfully delivering a programme of small-scale grants to rural SMEs on the Island since 2015/16, and in the New Forest since 2020/21, on behalf of and under contract to the LEP.

At their meeting on 10 November 2021. FPPMG considered and approved a request from Natural Enterprise to vary their current funding agreement to extend the deadline for fund defrayal from 30 September 2021 to 31 March 2022. This will enable retention payments to be made to completed projects, and also enable another funding round to be held for a small amount of returned funding be recycled to new SME applicants.

The ultimate funding source for the Rural SME Fund is the LEP LGD, and the programme closure activity detailed in section 6 of this report will provide independent verification of both the financial and economic outputs associated with the Rural SME Fund.

Crowdfunder SME Support Programme

Since its launch in March 2020 as part of the coordinated response to COVID-19, the Crowdfunder SME support scheme has exceeded the Board's expectations, providing a total of 107 projects with £221,993 of LEP funding, unlocking a further £807,458 of funding contributions and providing crucial support to the Solent SME community at the height of the pandemic.

The use by the LEP of the Crowdfunder digital platform to manage the end-to-end process for each successful project enabled small, but significant, amounts of funding to be distributed in a very efficient, fast and cost-effective manner which enabled micro and small business to keep running during the initial lockdowns, or prepare for reopening in the post-lockdown phases.

The last two quarters have seen new funding applications much reduced, and it appears that, as the economy continues to open up, the LEP funding offered via the Crowdfunder platform is no longer as vital as it was in the earlier lockdown phases and the LEP is working to manage the closedown of the Crowdfunder platform in a sensitive manner, ensuring that any eligible projects who are currently campaigning to raise funds are not impacted by the decision and to ensure the LEP is in a position to relaunch SME support programmes via the platform in the future, if deemed appropriate.

8. **New Funding Call**

The LEP has launched a new funding call; the Solent LEP Building Back Greener Loan Fund, which aims to support businesses, educational establishments and social enterprises to build back greener and support the delivery of the Government's Net Zero Strategy and the Solent's Ten Point Plan for a Green Industrial Revolution of the Solent.

The funding call was launched on 18 November 2021, and further information can be found on the Solent LEP website at <https://solentlep.org.uk/funding-hub/solent-building-back-greener-loan-fund/>.

9. **Summary**

Appendix A shows the overall position of the Local Growth Deal programme including the tail funding that is being managed across the 2021/22 and 2022/23 financial years.

Similarly, Appendix B sets out the latest position of the Getting Building fund Programme which has to be defrayed in full by 31 March 2022.

A significant amount of work is being undertaken to try to ensure that the funding for the remaining projects within the LGD tail and the GBF is defrayed by 31 March 2022 however due to the complex nature of some of these projects and some of the implications of the Covid-19 pandemic coupled with the national supply chain issue may mean that the Accountable Body has to use some of the freedoms and flexibilities made available by HMG to profile a funding tail into the 2022/23 financial year. A similar process may also be used for any retention payments held until projects reach practical completion to ensure that the LEP and AB have enough leverage should any residual issues arise.

The FPPMG and the LEP Board will continue to receive an update at each meeting regarding the progress against the LGD tail as well as the year two progress of the GBF.

The risks of both programmes continue to be reported and monitored in the funding risk register as reported to FPPMG and the LEP Board where all projects are regularly reviewed and have the latest RAG rating attached to them. By providing this information, the LEP Board and FPPMG will continue to be able to understand the key risks and the actions required to ensure that no funding is lost to the area.

The Accountable Body will continue to provide up to date and accurate advice to ensure that all LEP funds are spent with regularity and propriety, that they secure value for money for the public purse and maximise investment opportunities for the area.

10. **Equality impact assessment**

An EIA is not required at this stage. EIA's are not required for note items and, in relation to decisions, these relate to agreement of programme-wide budgets (as opposed to any new investment decisions) and internal risk registers.

11. **Legal implications**

PCC's (acting as accountable body for the LEP) s.151 officer acts as the Chief Finance officer (by the relevant delegation powers) for the LEP and is in receipt of a general delegation from the Council in order to manage such matters.

12. **Financial comments from the S151 Officer of the Accountable Body**

All of the financial information and associated implications are reflected in the body of the report and the Appendices.