

Report to the Greater Birmingham & Solihull Supervisory Board

8th February 2017

LOCAL GROWTH FUND PROGRAMME UPDATE

Purpose of the report

To note and discuss the progress made in delivering the Local Growth Fund programme.

Recommendations

The Supervisory Board is asked to:

1. Note the approvals of the Snow Hill Growth Strategy and STEAMhouse Phase 2 projects taken in between meetings;
2. Note the progress in delivering the Local Growth Fund programme;
3. Note the update on Growth Deal Round 3 and the process being taken to prioritise the pipeline of schemes; and
4. Note the agreement of the LEP Board to use the £25m of Local Growth Fund (LGF) underspend to create a 'Revolving Investment Fund' pilot scheme.

Background

5. The Supervisory Board received a report on the Growth Deal at its last meeting on 6th October 2016. That report noted the potential underspend in 2016/17 of £11.84m, with a commensurate overspend in 2017/18 of £31.27m, and the mitigating actions being taken by the Programme Team.
6. In addition, the Supervisory Board received an update on the negotiations of Growth Deal Round 3, noting Government's intention at the time to announce allocations as part of the Autumn Statement on 23rd November 2017.
7. Finally, the Supervisory Board noted the establishment of a Growth Hub Development Fund of £400,000, of which £372,295 has already been allocated to six projects.

Project approvals to note

8. On 17 November 2016, the Supervisory Board approved the decision of the LEP Board to grant fund the Snow Hill Growth Strategy (£2,000,000) and STEAMhouse Phase 2 (£14,000,000) proposals by written procedure. The papers circulated by written procedure can be found as Appendices A and B.
9. The Supervisory Board is asked to note those decisions.

Delivering Local Growth Funding

Programme management

10. Overall, the programme is expected to meet or exceed most forecast outputs and outcomes. However, following the withdrawal of two major skills-related capital projects from the programme in 2015, discussions have commenced with the Department of Business, Energy & Industrial Strategy to revise the expected skills outputs from GD1&2 in line with current expectations.
11. During 2017, monitoring will be improved by the use of new templates for collecting data, a new programme management system to handle information, and more hands-on engagement from an expanded programme management team within GBSLEP. Together these actions should provide greater certainty of progress on realising benefits.
12. While a significant proportion of the programme is now complete, a few large and complex projects remain significantly behind schedule. The Programme Team is currently in discussion with project promoters about the treatment of these projects within the future programme.

Forecast spend for 2016/17

13. Cumulatively, project delays have created underspend of circa £25m in this financial year. The proposal to set up a Revolving Investment Fund Pilot, as set out below, would help address this issue.

Growth Deal Round 3

14. As set out in the report to the Supervisory Board in October, Government's stated intention was to announce Growth Deal allocations as part of the Autumn Statement in November 2017.
15. In that Autumn Statement, the Chancellor announced a headline allocation of £392m to the LEPs in the Midlands Engine.
16. Subsequently, Government has announced in greater detail the allocations made to LEPs in the Northern Powerhouse (£556m). As yet, there is no confirmation of the allocation to be made to GBSLEP.
17. The LEP Executive is continuing to work with colleagues at BEIS and with partners across the area on potential site visits that could take place as part of any announcement.
18. The Programme Team has now completed the first round of the prioritisation, based on strategic fit. The process involved colleagues from across the LEP and was led by Pillar Board chairs, and the outcome has now been endorsed by the LEP Board.
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Revolving Investment Fund Pilot

20. During the GD3 strategic fit process, a number of projects were considered as potential candidates for a repayable grant or loan. The Programme Team has therefore agreed with the Programme Delivery Board, Accountable Body and LEP Board the principle of using the £25m LGF underspend to create a revolving investment fund pilot scheme.
21. This would make money available to projects on the basis that some or all of the funding was repayable (with interest if the project promoter was from the private sector). This could then be used to bring forward other schemes. In principle, this would enable more projects to be delivered than if solely grant funding was provided. It would also provide a financial buffer in case Government decides not to renew the Growth Deal in the next Parliament.
22. Until detailed discussions start with project sponsors there is some uncertainty about