

Report to the Greater Birmingham and Solihull Supervisory Board

6th October 2016

Growth Deal Programme Update

Recommendations

The Supervisory Board is asked to:

1. Note the approval of the National College for High Speed Rail;
2. Note the forecast spend for 2016/17 and 2017/18 and the actions proposed to deliver the programme;
3. Note progress on Growth Deal 3; and
4. Note the progress being made on Growth Hub Development Fund.

Background

5. The Supervisory Board received a report on the Growth Deal at its meeting in March 2016. It noted the potential underspend in 2015/16 which was fortunately avoided and £43.7m had been spent by the year-end. It also noted the Local Growth Fund award of £49,175,000 for 2016/17.
6. The Board noted the next round of the Growth Deal and that funding is expected to be from 2018/19 onwards.
7. In addition, the continued progress being made following the launch of the Growth Hub and the continuation of BIS funding over 2016-18 amounting to £1,025,000 as well as the ESIF bid which could take this total pot of funding to £2m for business support.

Issues

Business Cases to Note

8. Since the last meeting the National College for High Speed Rail has been approved by the Growth Team and LEP Director. A short summary of the project business cases is included in annexe A for noting which has been recommend for approval by the Independent Technical Evaluator.

Delivering Local Growth Funding (LGF)

Forecast spend for 2016/17

9. Details on project spend profiles are attached at Annex B. Forecast spend in 2016/17 is £37.33m against the LGF allocation of £49.18m (76% committed). This still leaves £11.84m uncommitted. In 2017/18, the forecast spend is

£31.27m against an indicative LGF allocation of £13.07m (239% over-programmed).

10. A report was submitted to the 27 July 2016 Growth Team which explained that project slippage is the main cause of these variances. Projects have been reviewed and where possible, re-profiled to bring forward spend to 2016/17. This includes:
 - transferring the LGF allocation from Kidderminster Railway Station which was profiled to spend £1.8m during 2017/18 and 2018/19 and now, following negotiations with Worcestershire County Council (WCC), this will be transferred to Hoobrook Relief Road to spend in 2016/17. WCC will use their own resources to fund Kidderminster Railway Station; and
 - bringing forward four projects submitted for LGF totalling £0.75m. The projects will be evaluated and expenditure in 2016/17 will enable delivery of skills related outputs.
11. The LEP Delivery Team will continue working with Project Managers to try and bring delivery on these projects and other projects back in line with forecast. We are also working with project sponsors to bring forward new investment opportunities
12. At the last meeting of the Growth Team, the LEP Delivery Team has written to the Projects that have slipped funding from 2016/17 into 2017/18. The letter explained the negative consequences that slipped funding has on the LGF programme and informed Project Managers that funding that has slipped into 2017/18 cannot be guaranteed. The letter has so far prompted a positive response from partners and has resulted in further discussions on what could be done to mitigate against the overspend.

Forecast Spend for 2017/18

13. It is anticipated that Government will announce the Growth Deal 3 allocation on or near to the Autumn Statement (23rd November 2016). Whilst additional resources have been included in the bid to address the £18.19m overspend in 2017/18 there is no guarantee that funds will be available until the start of Growth Deal 3 programme in 2019/20. We are therefore reviewing:
 - Projects that can be realigned to spend in 2016/17;
 - Stalled projects that can be withdrawn; and
 - Stalled projects that can be re-profiled to 2019/20+.
14. In total there are now 51 projects in the programme of which, 33 are now in contract and delivering against the Growth Deal targets agreed with BEIS (previously BIS) for Growth Deal 1 and 2. The additional projects brought forward to utilise the 2016/17 unallocated LGF will, once approved, support the delivery of skills outputs.
15. Five projects are 'by exception', which includes public realm projects for Snow Hill Station Phase 1 & 2. One Station and Making the Connection. In addition:
 - Sustainable Urban Extension - Peddimore Access is subject to a Government holding instruction and the BCC Strategic Director Economy is managing this matter personally; and

- Battery Way which has a potential CPO that will delay the project start date if implemented. Negotiation on the land swop is still continuing but no agreement has yet been made.

Local Growth Fund Round 3

16. Growth Deal 3 was submitted to Government on the 28th July 2016 for a total request of £310m. It is recognised that this is ambitious, given the total funding pot available is £1.8bn across 39 LEPs.
17. The funding allocation from Government as a result of the Growth Deal 3 bid is expected to be announced around the Autumn Statement on 23rd November.
18. On the 23 September the GBS LEP Board approved the Growth Deal 3 proposed approach to assessing and prioritising project proposals which is expected to be implemented October/November 2016.
19. An allocation of £5m has been made within 2016/17 to provide development fees for projects that are awarded Programme Entry Level and will be developing a full business case for Growth Deal 3. Criteria will be developed in collaboration with Birmingham City Council as the accountable body as to the organisations eligible to take advantage of this fund which is at the Project Sponsors' risk.

Growth Hub

20. At the July meeting of the Growth Team it was agreed to establish a Growth Hub Development Fund with unallocated BIS money for the period 2016 – 2018.
21. The initial fund of £400,000 is to be spent by March 2018. Projects, following a Growth Hub Partners' Event in May and the submission of expressions of interest in June have now been assessed by a Panel made up of members of the Growing Business Board and LEP Executive. In total six projects have approved (rated Green) and £372,295 of the fund allocated.

Conclusions

22. This report provides an update on progress on the Growth Deal. The Supervisory Board is asked to note the National College for High Speed Rail and, that full spend in this financial year is challenging for the LGF, but that work is ongoing to achieve this goal. The Supervisory Board are also asked to note the delivery of the Growth Hub Development Fund in 2016 – 2018.

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