

# Stoke-on-Trent & Staffordshire Enterprise Partnership

## **Financial Accounts 2018/19**

# Stoke on Trent & Staffordshire Local Enterprise Financial Accounts 2018/19

## Introduction

As part of the Local Enterprise Partnership National Assurance Framework there is a requirement to produce a summary of the annual accounts of the Stoke on Trent & Staffordshire Local Enterprise Partnership (SSLEP) and to ensure that these are published.

Staffordshire County Council (SCC) acts as the Accountable Body for the SSLEP. An accountability agreement is in place between the SSLEP and the local authority which sets out the respective roles and responsibilities of the relevant partners, including governance arrangements. A formal review (audit) is undertaken on an annual basis of these arrangements, in line with the National Assurance Framework.

The Accountable Body (AB) ensures the use of resources of the SSLEP are subject to the usual local authority 'checks and balances', for example, appropriate grant conditions are complied with; robust governance approval processes in place; funds are used appropriately and agreements are in place which include adequate provisions for the protection of public funds and decisions and the activities of the SSLEP conform with legal requirements with regard to equalities, social value, environment, State Aid rules, procurement regulations etc. The Accountable Body also maintains the official financial records of the SSLEP.

The formal accounts of the Accountable Body recognise the relationship it has with the SSLEP in the related party note to their accounts.

The SSLEP and the AB works closely with the Cities and Local Growth Unit (BEIS West Midlands), and an 'Annual Conversation' is undertaken to verify that appropriate financial and governance controls are in place, particularly in respect to the Local Growth Deal Programme (LGDP) and the remaining City Deal Programme (CDP) funding. Future years' allocations of these funding streams are dependent upon a successful 'Annual Conversation' which was undertaken on the 13<sup>th</sup> December 2018 and verification from the Cities and Local Growth Unit, was eventually received in February 2019 following national moderation. The Section 151 officer of the Accountable Body also is required to provide written confirmation that the SSLEP is compliant with the Local Assurance Framework and current LEP national guidelines.

The purpose of these accounts is to give an overall view of the funds and financial activities that the SSLEP has been involved with during the 2018/19 financial year.

The 2018/19 Financial Summary table overleaf details all funding streams that the SSLEP currently overviews; monitors and reports back to government on a regular quarterly basis:

## Financial Summary 2018/19

<b>Funding Stream</b>	<b>Balance b/fwd £000</b>	<b>2018/19 Allocation £000</b>	<b>2018/19 Net Spend £000</b>	<b>Balance c/fwd £000</b>
<b>CAPITAL</b>				
<b>Local Growth Deal</b>	2,160	11,284	9,851	3,593
<b>City Deal</b>	468	4,445	3,808	1,105
<b>Total Capital</b>	<b>2,628</b>	<b>15,729</b>	<b>13,659</b>	<b>4,698</b>
<b>REVENUE</b>				
<b>Growing Places Fund</b>	5,381	-	726	6,107
<b>Growth Hub Funding Grant</b>	-	205	205	-
<b>Core Fund Grant</b>	113	500	508	105
<b>LEP Review Implementation Grant</b>	-	100	20	80
<b>Skills Advisory Panel Grant</b>	-	75	-	75
<b>Total Revenue</b>	<b>5,494</b>	<b>880</b>	<b>7</b>	<b>6,367</b>
<b>Totals</b>	<b>8,122</b>	<b>16,609</b>	<b>13,666</b>	<b>11,065</b>

Notes:

\*1. – The 2018/19 Core Fund carry forward sum shown includes £21,750 of income collected in by SSLEP from neighbouring LEPs for jointly funded project initiatives, e.g. Agric Tech college funding contributions.

### Local Growth Deal and City Deal

The LGDP and The CDP provides significant investment funds to Local Enterprise Partnerships (LEPs) for infrastructure and economic development projects and schemes that benefit the local economy and help to deliver agreed outcomes, primarily in respect of housing, job creation and skills (apprenticeships).

The Local Growth Deal funding, known as the Local Growth Fund (LGF) Grant, is paid by the Ministry for Housing, Communities & Local Government (MHCLG) to Staffordshire County Council, as the Accountable Body, under *S31 of the Local Government Act 2003*, and is ‘a non-ringfenced’ capital grant. City Deal Funding is paid to Stoke on Trent City Council, as the Accountable Body, also under *S31 of the Local Government Act 2003*, and is also a non-ringfenced capital grant.

Business cases are submitted and approved by the SSLEP for each scheme/project, and a formal grant funding agreement is then put in place between the AB and the respective grant recipient prior to the grant being released. A key issue prior to the approval of the business case is how the proposed scheme contributes to the overarching priorities as set out in the Strategic Economic Plan (SEP) in terms of job creation and housing growth; whether it provides value for money and the leverage of additional private sector funding it provides e.g. developer contributions.

For the current LGDP, the SSLEP has secured **£98.3m** in total LGF Grant funding following LGD Rounds 1, 2 and 3 to support the City and Countywide economic investment programme. This programme now consists of **34 key schemes and projects** including significant transport infrastructure improvements; large scale business park developments and to develop local workforce skills planning for the delivery of apprenticeship training at local colleges and training centres (including the private sector).

The table below details total LGF payments made to grant recipients for LGD 1, 2 and 3 schemes from 2015/16 to 2018/19 of the current LGDP:

LGD scheme	Local Growth Deal Project	Grant Recipient	Total Spend 15-16 £m	Total Spend 16-17 £m	Total Spend 17-18 £m	Total Spend 18-19 £m	Total Spend To Date £m	Total LGF Alloc'n £m
LGD1	Lichfield Park	SCC	4.00				4.00	4.00
LGD1	Meaford	SCC	3.70	0.50			4.20	4.20
LGD1	Bericote (Phase 1)	SCC	1.23	0.95	0.02		2.20	2.86
LGD1	Stafford Western Access (SWAR) incl. LTB allocation	SCC	1.48	4.73	4.07	3.18	13.45	13.60
LGD1	Pre-committed LTB (Etruria ONLY)	SoTCC					0.00	8.20
LGD1	LSTP (SoTCC & SCC)	SCC/SoTCC	0.82	5.12	0.36		6.30	6.30
LGD1	Branston Locks	SCC	0.47	4.60	0.02		5.09	5.09
LGD1	Skills Capital - AMH South Staffs College	South Staffs College	0.74	3.06			3.79	3.79
LGD1	Skills Capital - AMH Stafford College	Stafford College		2.00			2.00	2.00
LGD1	Skills Capital - AMH JCB Academy	JCB Academy		0.44	0.66		1.11	1.11
LGD2	Tamworth Enterprise Quarter	Tamworth BC		0.69	0.64	1.51	2.84	2.95
LGD2	Rugeley Town Centre Package	Cannock DC		0.75			0.75	0.75
LGD2	Friarsgate, Lichfield	Lichfield DC			0.07		0.07	0.07
LGD2	Stoke on Trent City Centre Access	SoTCC	0.05	2.53	1.25	0.88	4.71	6.41
LGD2 (New)	Churnet Valley Works - Small Business Units	Staffs Moorlands DC					0.00	0.50

LGD2 (New)	Power Upgrade to SOT Railway Station	Virgin Trains					0.00	0.10
LGD2 (New)	Victoria Ground (Phase 2)	SCC					0.00	1.40
LGD2 (New)	Blythe Park Extension	MJ Barrett					0.00	1.25
LGD2 (New)	Stafford Gateway	SBC					0.00	0.15
LGD3	Keele Smart Innovation Hub	Keele University			0.51	0.49	1.00	1.00
LGD3	Hanley Bentilee Link Road	SoTCC					0.00	8.58
LGD3	Doxey Rd Reg & SWAR	SCC				1.78	1.78	1.80
LGD3	Spode Church Street	SoTCC					0.00	0.50
LGD3	LSTP (SoTCC & SCC)	SCC/SoTCC			0.46	0.01	0.47	1.46
LGD3	Skills Capital Equipment Fund	SCC				1.99	1.99	1.76
Slippage	Economic Regeneration Programme	SCC/SoTCC		2.09			2.09	2.09
Slippage	Bericote (Phase 2)	SCC			3.05		3.05	3.05
Slippage	ROF Featherstone	SCC		0.57			0.57	0.57
Slippage	Chatterley Valley	SCC		0.07			0.07	0.07
Slippage	Redhill Business Park	SCC		0.76			0.76	0.76
Slippage	Keele IC5	SCC	1.92	3.00			4.92	4.92
Slippage	i54 Employment Site	SCC		0.90			0.90	0.90
Slippage	Lichfield Southern Bypass - Highways major	SCC		0.33			0.33	0.33
Slippage	SME Expansion Programme	SCC			4.32		4.32	4.32
LGD2	Unallocated LGF Grant						0.00	1.46
	<b>Totals LGF Grant</b>		<b>14.40</b>	<b>33.11</b>	<b>15.43</b>	<b>9.85</b>	<b>72.80</b>	<b>98.30</b>

Key: Grant recipients - SCC = Staffordshire County Council / SoTCC = Stoke on Trent City Council.

For 2018/19, a new LGF Grant allocation of **£11.284m**, plus the previous year's unspent 2017/18 LGF Grant balance of **£2.16m**, gave a total LGD funding pot of **£13.444m** available for the SSLEP to invest in current Growth Deal 1, 2 & 3 schemes/projects which are programmed to be delivered by 2020/21. The total **£98.3m** LGF Grant allocation is forecast to deliver schemes/projects with a total estimated value of **£333m** and is expected to deliver the following, agreed strategic planned outcome/output targets:

- **4,850** new homes;
- **10,730** direct and indirect jobs created or safeguarded;

- **1,260** new apprenticeships.

During the 2018/19 financial year, a total of **£9.851m** of LGF Grant funding was invested in the Local Growth Deal Programme leaving **£3.593m** in total LGF Grant slippage which is to be carried forward to 2019/20.

During 2018/19, the LEP Executive Board also formally withdrew LGF Grant funding from a small number of LGD2 schemes/projects which were either unable to secure appropriate match funding resources to support their particular scheme or their specific business case outcomes were considered insufficient or inadequate for LGF Grant investment. In total, **£3.97m** of LGF Grant funding was ‘clawed back’ and made available for ‘shovel ready’ schemes/projects on an open call basis. The table outlined below details those schemes that were decommissioning and the approved re-investment of this unallocated LGF Grant funding in to new project pipeline schemes during 2018/19.

<b>LGD Schemes LGF Grant - Decommissioning &amp; Re-investment</b>		
	<b>£m.</b>	<b>£m.</b>
<b>LGD 'Claw back' of LGF Grant 17-18</b>		
Leek Mills, Leek (LGD2)		0.50
Rugeley Town Centre (LGD2)		0.85
Friarsgate, Lichfield (LGD2)		2.62
<b>Unallocated LGD Funding Balance</b>		<b>3.97</b>
<b>Less, 1st Open Call New Funding Approvals</b>		
Churnet Works, Staffordshire Moorlands	- 0.50	
Skills Equipment Fund (extension of LGD3 scheme)	- 0.61	
		<b>- 1.11</b>
<b>Less, 2nd Open Call New Funding Approvals</b>		
Victoria Ground (Phase 2)	- 1.40	
Stoke on Trent Railway Station Power Cabling	- 0.10	
Stafford Gateway	- 0.15	
Blythe Park Infrastructure & Extension	- 1.25	
		<b>- 2.90</b>
<b>Unallocated LGF Grant Balance Total</b>		<b>- 0.04</b>
<b>Additional LGD 'Claw back' of LGF Grant 18-19</b>		
ROF Featherstone		1.50
<b>Unallocated LGF Grant Balance Total (as @ 31-03-19)</b>		<b>1.46</b>

As at 31<sup>st</sup> March 2019, there currently remains **£1.46m** of uncommitted LGF Grant funding available for investment.

The SSLEP now has overall responsible for managing and overseeing the delivery of **£98.3m** in total LGF Grant funding. Of this grant sum, **£72.8m** has so far been spent to date, leaving a further **£25.5m** in LGF Grant (including the £3.59m of unspent 2018/19 LGF Grant carried forward) to be spent over the remaining two year timeframe of the LGD Programme.

For **The City Deal**, funding is claimed as it is incurred by the scheme/project and, to date, the SSLEP has delivered all of the City Deal Programme’s approved schemes

and projects with the exception of two significant energy generation schemes – The Keele Smart Energy Network Demonstrator (SEND) and the Stoke on Trent District Heat Network (DHN). Both schemes, following extensive procurement and contracting process, began major construction in late 2017/18 with completion expected by 2020/21 for both schemes.

The City Deal funding and spend to date for these 2 key, ongoing, local energy generating sector schemes is detailed in the table below:

City Deal Projects	Total City Deal Funding	Total Spend 2015-16	Total Spend 2016-17	Total Spend 2017-18	Total Spend 2018-19	Total spend to Date	City Deal Alloc'n c/fwd in to 2019/20
	£m	£m	£m	£m	£m	£m	£m
Stoke District Heat Network (DCLG)	19.75	0.77	0.59	2.82	2.38	6.56	13.19
Keele Smart Energy Network (BEIS)	5.00	0.44	0.04	2.35	1.43	4.25	0.75
<b>Total</b>	<b>24.75</b>	<b>1.21</b>	<b>0.63</b>	<b>5.17</b>	<b>3.81</b>	<b>10.81</b>	<b>13.94</b>

In addition to the **£24.75m** of City Deal funding available, both the SEND & the DHN schemes are to attract a further **£33.25m** in private sector leverage; **£8.4m** in European funding (ESIF) and **£4m** in local authority and other public bodies funding to deliver a total investment of **£70.4m** in to the local energy generation sector.

To date, **£10.81m** of City Deal funding has now been spent over a 4 year period on these two significant energy generating sector schemes with a further **£13.94m** of City Deal funding to be spent over the next 2 years.

The planned outcomes targets that were agreed for the overall City Deal Programme are as follows:

- **2,000** jobs created or safeguarded (732 jobs have so far been created or secured to date);
- **3,900** new Apprenticeships - Target to be realised by 2024;
- **1,300** Businesses supported (Target Achieved - 1,723 business supported);
- **90** Business referrals for National Business Growth (Target Achieved - 209 in new business growth achieved);
- Achieve energy efficiency savings of **49,000 tonnes CO2 per annum** – Target to be realised from 2019/20 onwards;
- Generate **45 GWh** (equivalent) of heat energy per annum locally, to be distributed to local businesses and residents – Target to be realised from 2019/20 onwards.

## Growing Places Fund

The Growing Places Fund (GPF) grant was paid by the DCLG to Staffordshire County Council (the Accountable Body) under *S31 of the Local Government Act 2003*, and is a ‘un-ringfenced’ grant, i.e. there are no specific grant conditions applied.

The GPF is used by the SSLEP to invest in key areas of infrastructure to enable local economic development, through to SME loan funding which is returned to the LEP at a future date for re-investment in further provision of infrastructure and jobs. This mechanism is referred to as a Revolving Investment Fund (RIF) and is used to promote a long term locally led solution to local infrastructure constraints; job creation and to enable greater housing development.

The criteria for GPF to support a Small, Medium Enterprise (SMEs) is that the company needs to be based in England; that they want to strengthen or grow their business; create or protect existing jobs; help lever private investment; they are unable to find suitable or appropriate funding elsewhere and are State Aid compliant.

From 2018/19, given that there was a relatively slow uptake in GPF loan bids from the local business community, the LEP Executive Board (following advice from the GPF Panel) approved a change to the current GPF loan bidding criteria. Initially, GPF loans were solely made available for SME capital works only. The approved GPF bidding criteria has now been extended to include capital equipment purchases and following this change, the level of SME interest in 2 year GPF interest free loan bids has significantly increased and has now led to the development of a GPF scheme pipeline for future loan investment.

Originally, a total of **£10.593m** was initially allocated to the SSLEP in 2011/12 and the GPF stood at **£5.381m** at the start of 2018/19. The GPF is used to provide loans and (in some cases) grants to SMEs and local developers, following approval by the SSLEP GPF Panel and the LEP Executive Board.

The SSLEP GPF Panel approval process consists of two stages: an initial filter stage followed by a second stage where a detailed business case submission is made which tests the integrity of the proposed schemes. This covers business & financial planning; procedural compliance and technical competence. Final approval is made by the LEP Executive Board subject to appropriate due diligence procedures and legal contracting.

Where GPF loans are allocated, repayment schedules are agreed including interest and this increased loan amount once returned to the GPF is then again made available for further, future SME investment. All current GPF loans are provided interest free for the first 2 years of the agreement with interest applied to GPF loans that are secured for 3 years or more.

Since receipt of the GPF Grant, there have been 13 bidding rounds or open calls made to the local SME business community with **11 loan** and **3 grant** approvals to date being made by the GPF Panel to the LEP Executive Board. Of these 14 approved GPF bids, 11 of these have moved to full contract and 3 are currently at the contracting stage.

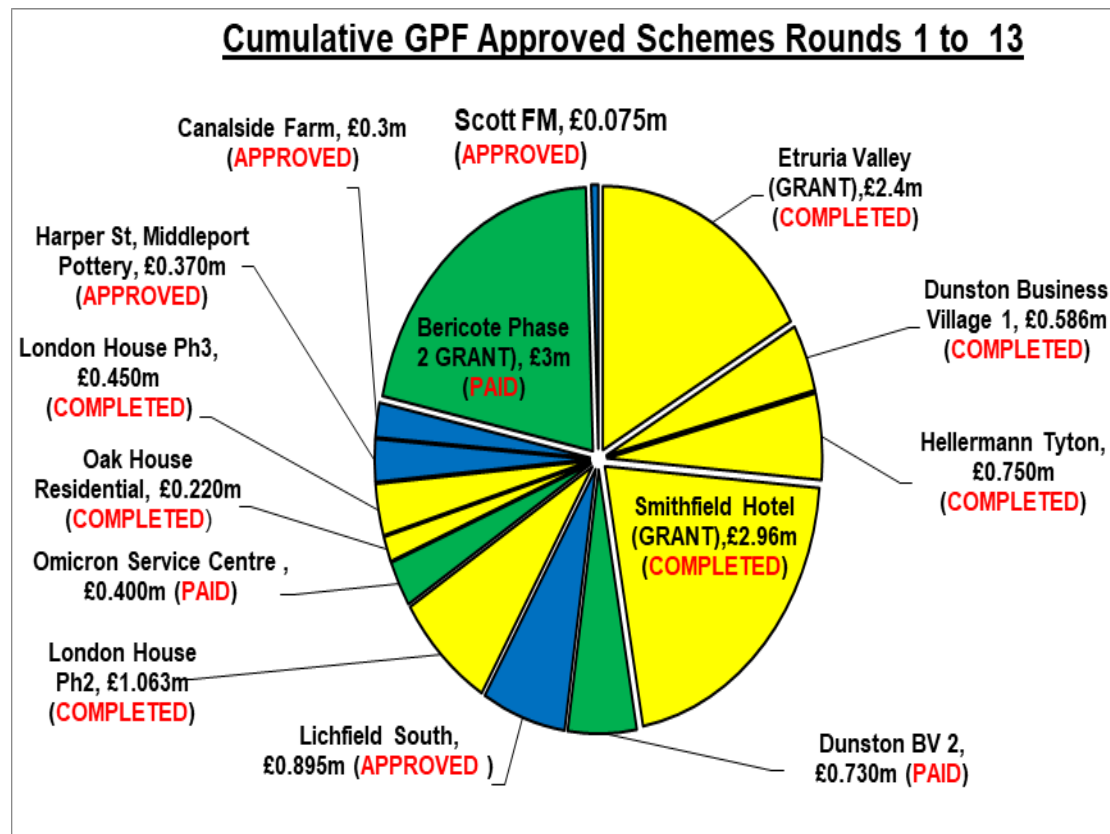


To date, a total of **£14.2m** in GPF has been approved, including loan repayments that have been reinvested, which consists of **£5.84m** in loans and **£8.36m** in grants to support a total investment of circa **£76m+** in the local economy.

During 2018/19, **£0.745m** of GPF investment funding was approved for 3 new SME business loans and a total of **£0.7m** in GPF loan tranches were paid out to current contracted SMEs. Furthermore, in 2018/19, 3 GPF loans totalling **-£1.425m** have been returned to the GPF following the ending of their respective 2 years interest free loan agreements. The GPF loans fund balance as at 31<sup>st</sup> March currently stands at **£6.107m**.

As at 31<sup>st</sup> March 2019, there are currently 4 approved GPF SME loans - totalling **£1.64m** – which are currently at the contracting stage and loan payments are anticipated to be paid out in the first half of 2019/20.

Detailed below, is a pie chart which summarises all approved GPF loans and grants that have been awarded to date:



### The LEP's Annual Revenue Grants

The SSLEP currently manages 2 annual revenue grants – **The Core Fund Grant** which supports the overall operations of the LEP and **The Growth Hub Funding Grant**. In 2018/19, a further 2 'one off' grants were awarded to SSLEP. These being the **LEP Review Implementation Grant** and the **Skills Advisory Panel (SAP) Grant**.

## Annual Revenue Grants

### The Core Fund Grant and the Cost of SSLEP Operations

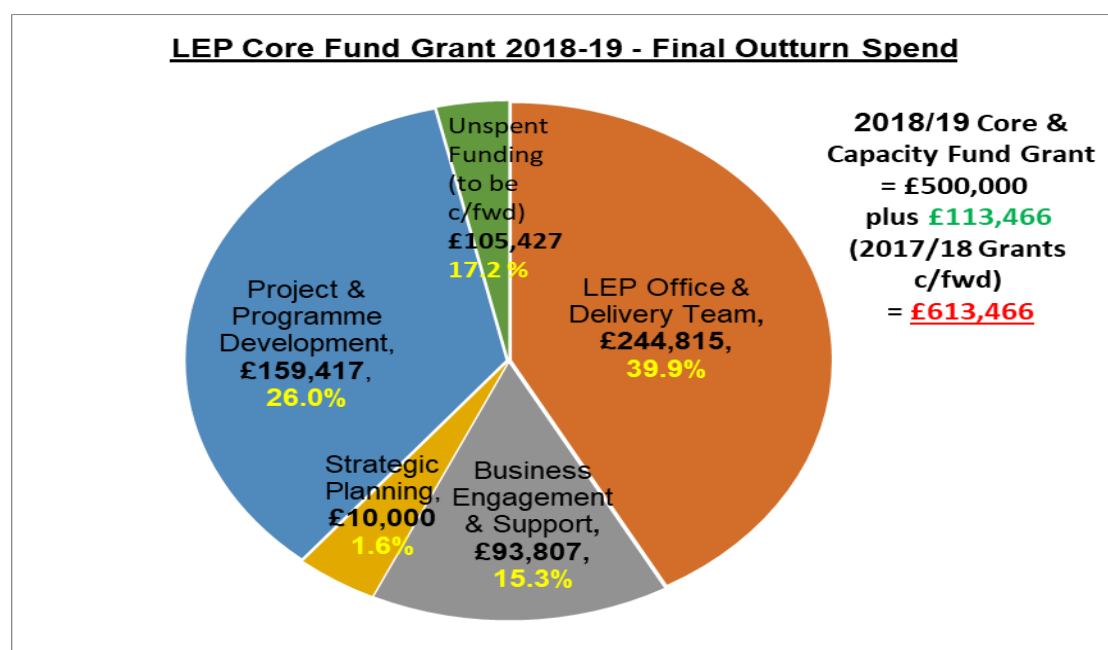
The SSLEP Delivery Team's operations are currently supported by the annual revenue grant known as the **Core Fund Grant** which replaced both the former Core Fund and Capacity Grant from 2017/18 onwards. This annual revenue grant, like its predecessors, requires a minimum of **£0.25m** in total matched funding which is provided by local authority partners.

The match funding is provided as 'in kind' staffing contributions to support SSLEP operations and is provided by Stoke on Trent City Council; Staffordshire County Council and the Staffordshire & Stoke on Trent Chamber of Commerce Inward Investment Team.

From 2018/19 onwards, the **£0.5m** Core Fund revenue grant was awarded by MHCLG to Staffordshire County Council, as the new Accountable Body, under *S31 of the Local Government Act 2003* and is defined as 'un-ringfenced' to allow the LEPs greater flexibility of spending. In previous years, Stoke-on-Trent City Council (SoTCC) was the Accountable Body for the Core & Capacity Grant.

During 2018/19, the SSLEP has primarily used its Core Fund Grant to support the activities of the LEP Executive Board; the funding of the SSLEP's Delivery Team and LEP Offices based in Stafford. Part of the Grant is also made available to support Projects & Programme developments; the Strategic Planning process and Business Engagement Support through an annual grant bidding process whereby match funding is a prerequisite for applying for Core Fund Grant funding. At the year end, a sum of **£0.105m** of the Core Fund Grant is to be carried forward in 2019/20 to support ongoing; future Board and LEP Delivery Team spend commitments.

Outlined in the pie chart below is the detailed expenditure for the 2018/19 Core & Capacity Grant (inclusive of the 2017/18 grant carry forward of **£0.113m**):



The table below, details the annual Core Fund revenue grant, plus the required local match funding that supports ‘in kind’ the operations of the SSLEP in 2018/19:

<b>Funding Streams</b>	<b>16-17 C/fwd £m</b>	<b>18-19 Grant &amp; Match £m</b>	<b>18-19 Budget £m</b>	<b>18-19 Spend £m</b>	<b>18-19 C/fwd £m</b>
<b>Core Fund</b>	0.113	0.500	0.613	0.508	0.105
<b>Local Match Funding</b>					
Staffordshire CC	-	0.145	0.145	0.145	-
Stoke on Trent City Council	-	0.078	0.078	0.078	-
Inward Investment Team	-	0.050	0.050	0.050	-
<b>Total</b>	<b>0.113</b>	<b>0.772</b>	<b>0.885</b>	<b>0.780</b>	<b>0.105</b>

### **The Growth Hub Funding Grant**

The SSLEP also received a Growth Hub Funding Grant of **£0.205m** in 2018/19 which is awarded by BEIS to LEPs on an annual basis and is invested in the Hub’s Client Referral Management System (CRMS); Website Maintenance; the Business Helpline, plus the funding of a number of Business Advisor posts within the Hub.

BEIS has recently confirmed that the annual Growth Hub Funding Grant will remain in place at **£0.205m** for 2019/20 to continue to support Stoke on Trent and Staffordshire SMEs and creating jobs.

### **‘One Off’ Revenue Grants**

#### **LEP Review Implementation Grant**

In 2018/19, a new ‘one off’ revenue grant, known as the LEP Review Implementation Grant, was awarded to the SSLEP by MHCLG totalling **£0.1m**.

This new grant is to be utilised by the LEP to devise an Implementation Plan for the following purposes:

- to set itself up as an ‘independent entity’ (known as a Company with limited liability) from its immediate local authority partners;
- to establish appropriate governance framework arrangements within the LEP.
- to provide a secretariat independent of local government to support LEPs’ decision making;
- to develop and publish an evidence based Local Industrial Strategy (LIS);
- ensure that an annual Delivery Plan is issued and monitored against;
- to establish more representative boards with 2/3rds of board members to be from the private sector;

- to improve the gender balance at board level to 1/3<sup>rd</sup> female representation by March 2020 and 50% female representation by 2023;
- Actively participate in relevant local authority scrutiny panel enquiries to ensure effective and appropriate democratic scrutiny of their investment decisions.
- LEP Chairs and other local stakeholders were requested to come forward with considered proposals on geographies which best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers. Government was expected to respond to these proposals during the autumn 2018, however, a decision is still awaited and a further £200l LEP Review Implementation Grant for 2019/20 is contingent on successfully achieving this.

In 2018/19, **£19,734** of this grant was spent predominantly on legal fees for setting up the SSLEP as 'a legal personality' from 1<sup>st</sup> April 2019. The remaining balance of grant funding (£0.083m) has been carried forward and will be spent on the development of the Local Industrial Strategy (LIS) during 2019/20.

### **The Skills Advisory Panel (SAP) Grant**

During the latter stage of 2018/19, the SSLEP received a new 'one off' grant called the Skills Advisory Panel (SAP) Grant for **£0.075m** from the Department of Education (DoE) for the purposes of increasing local SAP analytical capabilities sustainably. This one off revenue grant has been carried forward in to 2019-20 and is expected to be fully spent.

Skills Advisory Panels (SAPs) are part of the government's 2017 manifesto commitment and a key initiative under the Government's Industrial Strategy to address mismatches between skills supply and employer demand more effectively.

The aim of the SAP is to support new local partnerships comprising of local employers, skills providers and local government to pool knowledge on skills and labour market needs, and to work together to understand and address key local challenges. This includes both immediate needs and challenges and looking at what is required to help local areas adapt to future labour market changes and to grasp future opportunities. This will help colleges, universities and other providers deliver the skills required by employers, now and in the future. The Panels will analyse and reach an evidence-based view on local skills needs to deliver the new SAP role on skills needs, inform the 'People' element of the Local Industrial Strategies and local post-16 skills provision, so that local skills provision better meets labour market needs, now and in the future.

### **Other LEP Reserve Balances**

During 2017/18, the LEP Executive Board approved the introduction of a general administration & arrangement fee – set at 1.3% - which was to be levied against all LGD3 schemes/projects to generate a total funding provision of **£0.3m**. This fee was set to cover all administrative, contracting and legal costs incurred for the drafting of LGF Grant funding agreements and also to provide an initial funding pot to further

develop both the LEP Delivery Team's capacity and to secure future government funding sources post Brexit.

To date, **£0.151m** in admin/arrangement fees has been collated against LGD3 schemes/projects with the remaining **£0.149m** expected to be levied in 2019/20.

## **European Structural and Investment Funding (ESIF)**

The SSLEP currently has an indicative allocation of **£155.15m** (previously set at £132.75m in 2017/18) following the initial approval of the Local Enterprise Partnership's ESIF Strategy in 2015/16 which is to be invested over a 6 year period up to 2020/21. The ESIF allocation involves 3 principal funds which are provided by the European Union:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- European Agricultural Fund for Rural Development (EAFRD)

The SSLEP is accountable for the performance of the ESIF Programme, via its ESIF Committee, and provides strategic direction and management. However, it is the individual ESIF Fund applicants who are responsible for their bid application to each of the government's Managing Authorities – the Ministry for Housing, Communities & Local Government (MHCLG) for ERDF; the Department of Works & Pensions (DWP) for ESF & the Department for Environment & Rural Affairs (DEFRA) for EAFRD – leading to a final funding agreement. No ESIF funds therefore flow directly through SSLEP.

Stoke on Trent & Staffordshire has been awarded Transition Area status by the EU. This status is for regions of member states whose economic performance in terms of GVA (Gross Value Added) is between 75% and 90% of the EU average. Transition status means that ESIF funding support for eligible projects and programmes can be up to 60% of total funding compared to 50% for Non Transition areas. In Autumn 2017 all UK ESIF Transition Areas received a funding uplift resulting a further £5m spread across relevant themes of the SSLEP ESIF programme.

**ERDF** is delivered via competitive open bidding calls. Seven bidding calls have so far been held to date by the SSLEP and there has been a high level of interest across the ESIF themes of Innovation, SME Competitiveness; Low Carbon Economy and Environment Protection themes. The impact of EU funding will be measured in terms of jobs created and the number of SME businesses supported; the level of private sector investment leverage attained; the reduction in CO2 emissions achieved and biodiversity improvements.

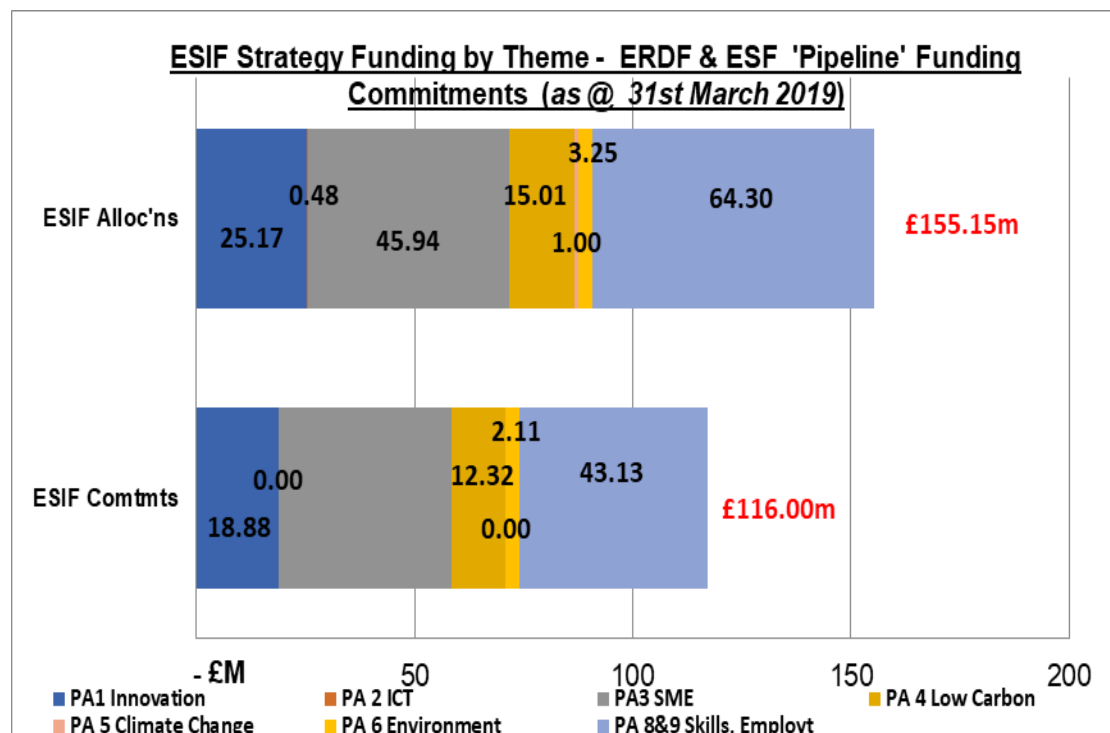
**ESF** focuses on addressing current skills gaps in the LEP Area's workforce and will also address tackling barriers to help those in disadvantaged groups and furthest away from accessing job opportunities. ESF funding is normally measured by the numbers of people gaining higher level qualifications, those participating in national programmes such as NEET or Apprenticeships and those participating in activities that move them along their development journey.

The purpose of the **EAFRD** programme is to stimulate economic growth across the rural areas of the county focussing on farm productivity and diversification; rural SME business development and support for the tourism and food & drink sectors. EAFRD is currently delivered via open bidding calls and is again measured by job creation and businesses support. Part of the EAFRD programme is delivered through the LEADER Programme, which is directly managed by SCC, and supports community led support for rural businesses capable of expanding their operations and creating employment across rural areas.

During 2018/19, there was 1 further ERDF open bidding call held in October 2018 which yielded a further 4 bids, totalling **£11m**. For the current ESF Programme, an expression of interest was submitted and approved to extend the ESFA Opt In programme for a further 2 years from April 2019 with planned extensions of both the DWP and Big Lottery Opt In arrangements expected to follow.

Overall, **£116m** or **75%** of the **£155.15m** ESIF funding allocation to the SSLEP has been committed to date following successful business case submissions and approvals from the MHCLG, DWP and the DEFRA respectively. This leaves **£39.15m** of ESIF Funding yet to be committed by the end of 2020/21. Of the £116m committed to date, **£35m** (as at 31<sup>st</sup> March 2019) has been claimed towards a **mid-programme term target** of **£38.6m** by December 2018.

The bar chart overleaf details the ESIF Strategy’s economic development themes set compared to their respective current project pipeline approval rates.



A subsequent bidding round is currently planned for the Summer 2019 to maintain the momentum of the ESIF Programme subject to agreement between HM Government and the European Commission. MHCLG has confirmed that contracting of new ESIF

bids could continue after BREXIT up to 2020 with ESIF spend now being allowed up to December 2023.

## Enterprise Zones

The SSLEP is currently part of the Black Country Enterprise Zone which became operational in April 2012. The I54 South Staffordshire site is one of a collection of sites within the EZ. To date, approximately **90%** of the I54 site has been developed and has created some **2,750 jobs** with more that **4,000+ jobs** expected on site when it is eventually fully built out. On completion, the i54 EZ site will have leveraged in excess of **£1bn** in private sector investment, Through a collaboration agreement, once the business rates generated have repaid the original investment (circa £60m), the SSLEP will receive a share of the annual business rates which will enable further re-investment in the Staffordshire economy. During 2018/19 the SSLEP agreed to fund circa **£10m** from these future business rates in a proposed 100 acre I54 Western Extension which has now been formally adopted in the South Staffordshire Local Plan and has since received planning permission and infrastructure ground works are expected to begin in the Summer 2019.

In 2016/17, the SSLEP was awarded Enterprise Zone (EZ) status for 6 business development sites across Stoke on Trent and North Staffordshire. The awarding of EZ status effectively allows the SSLEP and its local authority partners to retain 100% of business rates from EZs to finance initial site development and infrastructure costs and to further develop and promote business incentives on those sites.

Stoke on Trent City Council are the current lead on EZ for the SSLEP and during 2018/19 a fully costed EZ site development plan – The Ceramic Valley Enterprise Zones Strategic Implementation Plan (CVEZ SIP) was approved by the LEP Executive Board and is now progressing extensive site infrastructure developments and contracting arrangements with various EZ Site Developers across 6 sites across Stoke-on-Trent (Etruria Valley; Tunstall Arrow; Highgate Ravensdale; Cliffe Vale) and Newcastle- under- Lyme (Chatterley Valley West & East sites) along the A500 corridor, which together will bring forward 140 acres of reclaimed brownfield land leading to an uplift in land value of **£39.3m**; establishing **350,000+ sqm** of additional floorspace to attract up to **92 new businesses** and will potentially generate **7,300 jobs**. The strategy is to unlock the delivery of these sites by stimulating demand through the incentives that Enterprise Zone status offers and providing pump-priming where needed to remove viability constraints.

The ambition is to generate modern jobs focussed on the core sector strengths of the area. The growth of business on the CVEZ will play a role in transforming traditional industries into cutting-edge globally competitive sectors anchored in North Staffordshire. This ambition is part of a wider strategy of delivering fast, high value, high quality “good growth” across Staffordshire to support the journey to economic independence.

The revenue and capital costs of the CVEZ will be met by a mixture of external grant funding and expenditure by the local authorities (SoTCC, Newcastle BC and Staffs CC) with all capital and revenue expenditure incurred by the local authorities is to be recovered through the Business Rates revenue generated by the CVEZ in future years.

The table below shows the cumulative totals of expenditure and income since the CVEZ's inception.

Measure	Value (£m)
<b>Total capital expenditure</b>	6.055
<b>Total revenue expenditure</b>	1.432
<b>Interest paid on borrowing</b>	0.182
<b>Total business rates income</b>	0.594
<b>Surplus/deficit (as @ 31-3-19)</b>	- <b>7.075</b>

Over the past year there has been substantial progress in a number of areas. **895 jobs** have now been delivered to date. Sites which were once dormant are now being brought forward by the private sector. The CVEZ is beginning to move the property market in North Staffordshire with stronger rents being achieved and investment generated.

## 2018/19 Overview and Future Years

In 2018/19, the SSLEP spent a total of **£13.666m** of its funding resources and has carried forward a total balance of **£11.065m** into 2019/20. During the year, the SSLEP spent **£9.851m** of its fourth LGF Grant tranche of **£11.284m**, plus the **£2.16m** 2016/17 LGF Grant carry forward to leaving **£3.593m** in grant slippage at the year end. The SSLEP also spent a further **£3.808m** of its 2018/19 City Deal funding allocation on the two City Deal energy generation schemes.

The SSLEP is now entering its fifth year of the Local Growth Deal Programme and has been allocated its next tranche of LGF Grant of **£6.37m**, plus the **£3.593m** 2018/19 unspent LGF Grant, to give a funding total of **£9.963m** in 2019/20 to enable it to deliver on Year 5 of its Strategic Economic Plan (SEP).

The City Deal continues to progress in 2018/19 with both the Keele SEND and Stoke on Trent DHN rapidly progressing construction. The SSLEP is set to invest a further **£13.94m** into The City Deal leading to a total planned investment of **£70.4m** in these two innovative City Deal energy generating schemes over the remaining 2 year period up to 2020/21.

In 2018/19, the county's Growth Hub Unit successfully secured 3 years of ERDF funding up to 2020/21 will continue to act as the primary investment fund for local SMEs across both the city and county. Whilst the 2019/20 Growth Hub revenue grant set at **£0.205m** will continue to be utilised to support the operations of both the Hub and local SMEs.

In respects to the GPF, a bidding round (or open call) currently remains open in 2019/20 with the aim to continue to offer interest free loan investment into local SMEs business expansion and development. As at April 2019, there currently remains a balance of **£0.479m** available in GPF funding to invest in future SMEs business loans.

The SSLEP's ESIF Strategy has continued to make significant progress during 2018/19 in allocating funding commitments, **75%** (£116m) of its revised **£155.15m** ESIF funding has so far been allocated and continues to exceed the UK national



average (circa **68%**) in terms of project pipeline bids and funding commitment approvals. A further EU project bidding round, to allocate the remaining allocations, is currently planned in the Summer 2019 to allocate the remaining **£18m** of **ERDF** and **£21m** of **ESF** allocations to be fully committed with the aim that all of the ESIF Strategy's indicative allocation will be fully assigned and contracted by the 31<sup>st</sup> March 2021.

In terms of progressing EZ developments across North Staffordshire and Stoke on Trent, the Ceramic Valley Enterprise Zones Strategic Implementation Plan continues to be 'rolled out' across the 6 EZ sites during 2019/20. Stoke on Trent City Council, as the Lead Authority, will finalise a number of site planning applications and continue to market developed sites both nationally and internationally. In respect to the I54 Western Extension in South Staffordshire, SCC in partnership with Wolverhampton City Council, the Black Country LEP will continue to progress its site planning requirements; finalise procurement and contracting arrangements and begin construction of the 100 hectares site extension's infrastructure during 2019/20.

The financial accounts set out a summary of the key financial activities of the SSLEP for 2018/19. The SSLEP has managed its finances throughout 2018/19 in line with the National Assurance Framework and local authority standard practices and procedures. In this year, there are no areas of concern from a finance perspective to note.

**Simon Ablewhite**  
**Strategic Finance Business Partner (SSLEP)**  
**13<sup>th</sup> June 2019**