**SSLEP Executive Board 19th September 2019**

**Review of Progress against SSLEP Growth Deal Outputs / Targets – Position Statement**

**Background**

At the meeting of the Programme Assurance Group on 30th July 2019 and 24th August 2019, concern was expressed over the current position in relation to Growth Deal outputs and potential financial spend by 31st March 2021, and it was agreed that a review of current and forecast progress against Growth Deal targets should be undertaken.

The review included seeking advice from BEIS LGF Data colleagues, including guidance on reporting outputs, which has highlighted some areas where SSLEP has been under-reporting.

In addition, CLGU (Cities and Local Growth Unit) have now introduced a formal mid-year review which each LEP, to enhance the existing annual assurance process. The SSLEP’s mid-year review is scheduled for 23rd September 2019, and one of the themes of the review will relate to delivery.

**Formal Growth Deal Targets**

The formal targets (agreed March 2014) with the CLGU are that at least 5000 jobs and 1000 new homes would be built by March 2021.

Current and forecast progress against these targets is set out in the table below: -

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Formal Target for delivery by March 2021** | Actuals as at March 2019 (as reported to CLGU) | Actuals as at 9th September 2019 | Forecast to be delivered by March 2020 | **Forecast to be delivered by March 2021** | Forecast to be delivered 2021+ |
| **Jobs** | **5000** | \*1022 | \*1206 | \*3223 | **\*\*6023** | \*13103 |
| **Houses** | **1000** | 130 | 191 | 310 | **\*\*874** | \*\*5280 |

*\*The jobs figures assume the reclassification of apprenticeships, see below*

*\*\*These jobs/houses figures now include outputs from the SME scheme which was not previously reported on.*

A scheme by scheme breakdown of the above figures is set out in Appendix A. It should be noted that the Churnet Works scheme withdrew their funding application on 21/08/19.

***\*Apprenticeships***

SSLEP has very recently been made aware that formal apprenticeships can be included in the BEIS LGF quarterly reporting return as part of the total figures for jobs. Advice from BEIS is that apprenticeships and jobs figures are reported separately to BEIS to inform DfE figures but are then added together and the total figure is counted by BEIS towards the LGF jobs target/actuals. This means that the figures for apprenticeships from the skills focused projects (which have historically been included in the “learners” skills reporting rather than separately as apprenticeships), could be re-categorised and go towards the forecast jobs target,

adding a total of **1,211** to the jobs forecast and alleviating any potential shortfall against the target for jobs.

*Note:* This will require amendment, re-categorization and updating of historical data; BEIS LGF data colleagues have advised regarding the process that we would need to follow and work is taking place to progress this. The Partnership Manager and S151 Officer will sign off the changes to be requested. This will then bring SSLEP reporting in line with other LEPs and would have a significant positive impact on the jobs forecast/count against target.

Amendment of historical data could however have a negative impact on Skills figures (learners) reported to date.

**It is currently predicted that the SSLEP will fail to meet its formal March 2021 targets on houses by an estimated 126.**

Whilst this position has been reported on an on-going basis to PAG, and some mitigating actions have been taken i.e. allocation of funding for new schemes has focussed on delivery of these targets, the current position is that there is little scope to accelerate output delivery on existing schemes, and timeframes are relatively short. PAG recommended that this is formally recorded on the SSLEP risk register and reported to the Executive Board**.**

***How accurate are the figures?***

The forecast figures are collated from information provided by the grant recipients, who are contacted on a quarterly basis and requested to provide updated figures. To date the reporting focus has rested on expenditure and attention is now being refocussed upon outputs. Little due diligence has previously been undertaken by the SSLEP secretariat or the project promoters on the forecast figures provided. However, it is proposed that a more detailed review be undertaken at the next quarterly collection deadline, and grant recipients are requested to provide more detail on their estimates e.g. relevant working papers / key assumptions / and potentially the level of risk around the figure they quote. Work has already begun on this and all project promoters will need to ensure that they meet their obligations in providing the government required output evidence.

The LEP network has produced some best practice guidance on output monitoring. It is proposed that this is utilised to determine the type of evidence requested from grant recipients.

Following this detailed review as at the end of quarter 2, a further update will be provided to the Board.

***Penalties for Non delivery***

There are no specific penalties (e.g. a requirement to repay growth deal grant) in place where LEP’s fail to deliver the original agreed targets within the timeframe of March 2021.

However, there are clearly reputational issues for SSLEP partners and individual project promoters’ and it is possible that the non-delivery of outputs or failure to spend within timescale may result in less favourable allocations from future funding streams e.g. UK Shared Prosperity Fund.

***Other Targets***

*Finance*

In addition to the housing and jobs set out above, there is a target to ensure all grant deal monies are spent by March 2021.

The latest forecast profile of spend is attached at Appendix B. The current position is that £0.5m is unallocated, following the recent withdrawal of the Churnet Works scheme. It is recommended that the Programme Assurance Group are requested to review the pipeline with a view to putting forward alternative schemes to utilise this unallocated grant.

 There are some significant other risks relating to this profile: -

* Etruria Valley – Assumed £8.2m spend – business case still awaited. Scheme update due back to Executive Board in November.
* City Link East Road – Assumed £8.58m spend – business case currently being assessed.
* City Centre Access Programme – grant spend on this scheme is paused due to an internal SoTCC review of transport schemes.
* Stoke Station Railway Station Power Upgrade (£100k LGF grant) - the Virgin Trains franchise is ending on the 8th December 2019, so it would be the new franchise who would need to progress this scheme. This will mean a delay in the short term and will affect the forecast spend profile.

An early decision on the above schemes is essential to provide sufficient time to reallocate any of these resources to new schemes, given the financial timeframes for spending the grant. The Executive Board may wish to consider setting final deadlines for confirmation these schemes will proceed.

Should the above schemes not proceed or experience significant delays the SSLEP will need to review what other options are available for spending the growth deal grant (and supporting the delivery of the target outputs), such as:

* **Option 1** - Include new schemes from the current pipeline (please see summary report - Appendix C) or request further potential schemes through a further Open Call. The option of undertaking a further open call at this stage when it is unclear what, if any, funds may be available is potentially counter-productive as it could raise expectations that are subsequently not met, and the SSLEP could be accused of wasting organisations’ time in developing bids. Undertaking an Open Call following a final confirmation of the schemes identified as a risk not proceeding, will however provide little time to allocate and deliver the required spend level.
* **Option 2** - Using any unspent funds to support the I54 Western Extension project, where it has committed circa £10m from future business rates from the original I54 EZ to support works on delivering a western extension. This is one of the few SSLEP schemes which is both “mobilised” and of sufficient scale to deal with any significant underspend before the deadline of March 2021. Growth deal funding could be switched to this scheme at relatively short notice (subject to Executive Board approval), and therefore the risk of meeting the target to ensure all grant monies are spent can be mitigated. Utilising the grant in this way will also allow jobs created from the western extension to be included against the growth deal targets. It is recommended that this is considered as the fall back option for mitigating the risk of not spending the grant in line with the deadline.
* **Option 3** – Follow option 2, but continue to support the original schemes from future business rates (i.e. switch the funding back later to the original delayed schemes), although this may cause some “cash flow” issues to the original scheme promoters.

*Other*

As well as the specific targets relating to housing and jobs there was an assumption that the Growth deal allocation would be used to stimulate local growth and take advantage of new economic opportunities. The approved SSLEP Growth Deal schemes consequently have local targets around private sector leverage of £95.25m. Actual private sector leverage to date is approximately £14.81m.

It was always envisaged that the private sector leverage would take place over a longer period of time, for example the private sector investments are forecast often to follow completed SSLEP schemes, such as house building or business park development, following the construction of a road / road access.

There are also targets around growth in Skills; however, as mentioned in Page 2 of this report, we are now aware that formal apprenticeships should be reported under the jobs targets rather than under the skills section. The skills participation numbers historically reported will be revisited and updated.

**Comparative LEP Performance**

The SSLEP does not have access to how other LEP’s are performing against their targets in respect of housing and jobs. Some general local growth data which has been captured by the City and Local Growth Unit, and is based on LEP boundaries, has been made available. This is based largely on ONS Labour Force Survey and ONS LEP GVA data. These statistics broadly show the SSLEP to be in the middle third of LEP’s for local growth as measured by the employment rate, level 4 job rate, and nominal GVA (based on 2017).

**Summary**

A review of the current position on the formal Growth Deal targets suggests that SSLEP will succeed in delivering forecast jobs against target but will fail to deliver its targets for housing by March 2021. Whilst the housing targets will not be delivered by March 2021, they will be significantly over achieved after this date when existing schemes are completed, and benefits accrue.

Slippage has been identified previously and some schemes have been removed from the programme and replaced with other schemes in an effort to mitigate the issues of delivery of the targets, however given the timescales further action in this area is unlikely to deliver the estimated shortfall. There is also an argument that chasing targets can be detrimental to the overall long-term economic growth programme.

There is currently £0.5m unallocated Growth Deal Grant which is available to support other schemes.

The financial target of spending all Growth Deal grant can be achieved and a contingency plan i.e. switching the proposed funding of the I54 western extension to Growth Deal Funding, subject to Executive Board approval is in place.

**Recommendations**

The Executive Board note the contents of the report and

1. Note the risk in respect of failing to deliver the housing target.
2. Note that a detailed review to gather the appropriate evidence to verify current forecast output figures is being undertaken and a further update will be provided to the Board at the end of Quarter 2.
3. That historic reporting data will be re-classified so that inclusion of apprenticeships in the jobs figures does not continue to be under-reported but falls in line with BEIS recommendations and best practice from other LEPs.
4. Confirm the approach to re-allocating the current unallocated Growth Deal funding.
5. Considers the proposal to set final deadlines for a decision on existing schemes which are currently identified as a risk from a financial delivery point of view.
6. Approves a proposed approach in respect of the potential finance slippage as set out in the finance section above.

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12th September 2019