**STOKE ON TRENT & STAFFORDSHIRE**

**LOCAL ENTERPRISE PARTNERSHIP**

**COMPANY EXECUTIVE BOARD MEETING**

**18 June 2020**

**Report of Strategic Programme Management Group:**

**Local Growth Fund (LGF) Grant Spend Forecast 2020/21**

**Background**

1. The revised Strategic Programme Management Group (SPMG) comprises of 4 private sectors (James Leavesley, Chair; Sinead Butters, Vice Chair, Alun Rogers & Caroline Brown) and 2 public sector members endorsed by Staffordshire CEO’s (Jon Rouse, City Director Stoke-on-Trent City Council; Tony McGovern, Chief Executive Officer, Cannock Chase District Council).
2. Stoke & Staffordshire LEP (SSLEP) LGF Programme has entered its final year. All allocated LGF must be spent against agreed projects by 31 March 2021 or risk being lost to those projects and to the Partnership area. All promoters of final year schemes have provided a revised, realistic expenditure profile for the current financial year. This year, revised profiles have been influenced by covid-related issues. SPMG reviewed these profiles on 1 June 2020, to assess the ability of the current programme to meet the 31 March ’21 expenditure deadline and to consider and determine appropriate risk mitigation relating to any identified underspend. T McGovern & James Leavesely were not in attendance. Meeting was quorate.
3. The LEP Board has already sought to reduce the risk of losing funding against delayed works by over-programming through the approval and contracting of an additional scheme; the i54 Enterprise Zone Extension project.
4. A CLGU letter, dated 13 May 2020 (See Appendix 1) advised SSLEP that two-thirds of the partnership’s final year allocation would be provided to LEPs in May, with the timing of the arrival of the final third being subject to an assessment by CLGU on need for further funding in year. The letter notes that “*where there are contractual commitments in place, with plans to manage spend of that allocation across the programme in year, we will ensure that the balance of that LGF is paid in full.”* In undertaking any assessment on the release of the final third of LGF in year, consideration will be given to first quarter spend (and possibly second quarter) and mitigation considerations that have been undertaken around the management of funds/use of freedoms & flexibilities.

**LGF Expenditure Profile 2020/21**

1. Appendix 2 sets out the LGF revised expenditure profiles for each project. This indicates that some schemes have slipped and are anticipating the need to continue delivery/spend into 2021/22, to the value of approximately £3.149m. In order to demonstrate maximum spend in year across the programme, the table also assumes that the currently unallocated LGF grant of £0.388m is allocated against to the i54 extension project.
2. SPMG acknowledged that the i54 project is under delivery and sufficient spend on this project will be incurred to mitigate the current predicted shortfall of £3.149m. The scheme is helpful within the programme because it can provide the ability for funding from business rate uplift to recycle back into lagging projects at a later date, as business rates are returned to the LEP. However, business rate may not be available until at least 2024/25 and lagging projects will therefore have to meet the costs of their post end of March spend until the business rates are available to be able to re-imburse the scheme promoters.
3. SPMG considered that:
* without inclusion of the i54 project expenditure within the final year of the programme, there is a significant risk that project promoters would be unable to recoup any external funds against project delivery expenditure that occurs after the 31 March 2021.
* despite current MHCLG assurances that the final 1/3 funding will remain available, funding could be lost to the SSLEP and the wider Staffordshire economy given the uncertain national economic times.
* spending against all approved schemes from this point and showing full spend of the allocated LGF grant, in line with the original five year programme, shows SSLEP can deliver.

In line with the SSLEP Scheme of Delegation, SPMG agreed to maximise in year expenditure through drawdown of LGF funding against all projects identified in Appendix 1, including the i54 extension project. SPMG also instructed the Accountable Body & LEP Secretariat to give further consideration in respect of potential freedoms & flexibilities available to the accountable body (e.g. capital switches that have been adopted in previous years), in case further slippage occurs. Having declared an interest in STCC projects at the outset, Jon Rouse did not take part in the discussion.

1. In view of the potential time lag on receipt of business rate uplift by lagging schemes, a query was raised as to whether priority might be given to repaying SoTCC schemes earlier through any potential end of year underspends on future programmes. SPMG considered that this query should be escalated to Board, while noting that:
* any arrangement would need to be available to all lagging projects in a similar position in order to be equitable
* consideration should also be given to alternative funding mechanisms that could be used in earlier payment such as any annual surplus on LEP business rate uplift receipts from CVEZ being directed as a first priority to meet the outstanding allocations to lagging schemes.

**RECOMMENDATION: That LEP Executive Board Members confirm their agreement on the proposal set out in paragraph 8, on prioritising future underspend funding against LGF lagging schemes.**

Board Lead: James Leavesley, SPMG Chair; Sinead Butters, SPMG Vice Chair

Report Authors: J Casey, Interim Partnership Manager; Simon Ablewhite, SSLEP Accountable Body; Sharon Palphreyman, SSLEP Programme Manager.