**SSLEP SPMG report to SSLEP Executive Board 15.07.2021**

**Drakelow Park**

**Proposal: De-allocation/reallocation of £5m Getting Building Fund (GBF) grant from SSLEP to D2N2 LEP.**

**Background**

This is a scheme that has been many years in the planning and is long-awaited by the area. Construction of a new river bridge and bypass will open development in Drakelow Park and is a condition of further development in the area.

SSLEP and D2N2 (Derbyshire/Nottinghamshire LEP) are both supporting the scheme (the bridge has a foot in either county, although all outputs will be claimed by D2N2 (as the houses etc will be built in Derbyshire). Both LEPs bid for GBF for this scheme.  SSLEP is allocating £5m. D2N2 LEP is allocating £2.5m.  Although it is a multi-partner scheme, Derbyshire County Council is the lead organisation as Accountable Body for D2N2 LEP.

SSLEP Board and SPMG have flagged the scheme as a RED risk for some time, due the amount of money allocated, the risk of failing to spend by deadline and the lack of visibility of the scheme (D2N2 is the lead LEP).  There was concern that SSLEP will be held accountable for spend, delivery and outputs, when it is out of our control.  Following meetings with representatives of SSLEP and D2N2 (CEOs, S151s and Programme Managers) and BEIS Area Leads for both areas, it was proposed that the solution was for the £5m GBF to be de-allocated from SSLEP and re-allocated to D2N2, subject to the MHCLG Change Request process.

**The benefits of de-allocation from SSLEP and re-allocation to D2N2 are:**

* The scheme is de-risked for SSLEP. D2N2 will be solely accountable for the delivery, spend and outputs of the scheme (it should be noted that from the outset D2N2 was to claim all outputs, so this proposal would have no impact on GBF outputs for SSLEP)
* If the GBF is not all spent by March, D2N2 can apply freedoms and flexibilities and switch the funding
* It will be much simpler if one LEP controls the spend and the switch funding, especially as the GBF contributions are not proportionate for each LEP.
* Better control for D2N2 to progress the scheme - the combining of funds is about being answerable to one party not two. Increases efficiencies in delivery.

**Process to achieve de-allocation/re-allocation from SSLEP to D2N2**

1. Approval to be sought from SPMG by electronic decision (w/c 05/07/21) to progress a recommendation to Executive Board. UPDATE: SPMG members voted unanimously to **recommend to SSLEP Executive Board on 15/07/2021** that de-allocation of £5m GBF funding from SSLEP and re-allocation to D2N2 be **approved**, subject to the considerations described below.
2. Executive Board will be asked on 15/07/2021 to ratify SPMG’s recommendation; MHCLG change request and covering paper are going out with Board agenda pack.
3. If SSLEP Executive Board ratifies the proposal, an MHCLG change request plus 4 x supporting letters (from D2N2/SCC S151s and both LEP’s CEOs) will be submitted to both BEIS Area Leads to request decommitment/ reallocation of funds to D2N2 and containing a description of any caveats to be legally agreed in writing between the two Accountable Bodies (Staffordshire County Council and Derbyshire County Council) to protect our position going forward.
4. Written legal assurances to cover the caveats between the two Accountable Bodies around the de-allocation/re-allocation will be finalised and completed when the change request has been approved by MHCLG.
5. Funding to be transferred on behalf of BEIS from Staffs CC to Derbyshire CC directly, once the legal agreements have been agreed and completed

**Key considerations to be included in a written legal assurance between the two Accountable Bodies include:**

* **Reporting:** we would require regular updates to ensure that we remain sighted on this scheme (but do not hold liability for contract deliverables):
  + Quarterly Briefing paper - progress report to inform Board/SPMG of progress; report significant risk/issues as they arise. (D2N2 will formally report direct to BEIS)
  + Continuous involvement: SSLEP to retain continued oversight through:
    - CEO or the chair of SSLEP ‘s SPMG has a standing invite to attend any contractor briefing or attend the D2N2 SPMG meetings when Drakelow is discussed.
    - Should any concern be raised the SSLEP S151 officer has the right to review the finances
    - Involved in contractual review meetings should we wish to be.
* **Clawback** – if the scheme fails or underspends in any way, BEIS have  advised that the opposite process could be applied to revert the funding back from D2N2 to SSLEP so that SSLEP would be able to spend it on other priorities.
* **Inclusion of a longstop date of April 2024** (the current forecast scheme opening date is Q1 2023) to ensure that the scheme has been fully completed and funds are not held in reserve indefinitely. If the scheme is incomplete by April 2024, SSLEP will review progress, current risks and likelihood of completion.
* **Purpose/restriction**: the de-allocated/re-allocated GBF grant is only to be used for the purpose for which it is being allocated and no portion of it is to be transferred for any other use.
* **Publicity**: That SSLEP remains cited as a co-investor in the project publicly, recognised for the work done in supporting realisation of this long-standing ambition.

|  |
| --- |
| **SPMG electronic decision 06.07.21**  SPMG members voted unanimously to **recommend to SSLEP Executive Board on 15/07/2021** that de-allocation of £5m GBF funding from SSLEP and re-allocation to D2N2 is **approved**, subject to the caveats described above. |

|  |
| --- |
| **SSLEP Executive Board 15/07/2021**  **SPMG Recommendation:**  Ratification sought for approach to mitigating risk and improving efficiency regarding Drakelow project. Approval sought for SPMG to sign off MHCLG Change Process documentation. |

Author: Sharon Palphreyman, SSLEP Programme Manager Date: 07/07/2021