**Report to SPMG 21.12.2021**

**Powering Up Enterprise**

**Proposal: To update SMPG on the progress of the Powering Up Enterprise Programme and seek agreement on the deliver programme and spend.**

**Background**

Powering Up Enterprise is a significant project within the LEP’s Getting Building Fund Programme. The Getting Building Fund had a challenging delivery programme from the outset with funds having to be defrayed by March 2022, add to this resource challenges within the construction sector as a result of the pandemic, significant inflation in some material costs and lag times in materials delivery have collectively places further challenge on this programme.

However. despite this context the City Council has worked ‘at risk’ on this programme, in partnership with Genr8 its private sector partner, to give the programme the very best chance to deliver the spend within the said timeframe.

**Scheme costs.**

At the time that the revised business case was submitted to the LEP, the costs associated with the Genr8 projects Clayworks and Smithfield 2 were known and therefore a firm and all inclusive allocation of £1,056,200 could be identified between the City Council and Genr8 to deliver these two schemes. As a result a back to back agreement was put in place to enable Genr8 progress with their elements of the programme. These two schemes are in their delivery phase and will be completed in the first quarter of 2022.

The residual Getting Building Fund amount of £1,393,803 was aligned to the four City Council schemes of Spode No 5, Swann House, Longton Town Hall and CoRE. The works cost breakdown for the whole programme is identified in the table below;

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| **Works Breakdown** | **Costs (£)** |
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| CORE Building | £157,127 |
| Swann House Floor 1 Wing 1 | £316,481 |
| Spode Building 5 | £1,110,980 |
| Longton Town Hall | £655,131 |
| Smithfield 2 | £463,937 |
| Clayworks | £592,260 |
| Totals | £3,295,917 |

As referred to above since the business case was approved there has been significant escalation of prices in some areas of the construction sector. In addition the tender return for Spode Building No 5 saw a significant increase, some due to price inflation and some following detailed structural surveys, additional drainage requirements and more mechanical and electrical works than originally envisaged. In mitigating some of the cost increases the City Council has been able to secure an additional grant totalling £247,000 from Historic England, specifically for works to Spode Building No 5.

However, taking all construction costs fees and associated costs into account there remains a budget shortfall of £133,465



The Stoke-on-Trent City Council delivery team consider that there are savings within each of the schemes that **could** make up this shortfall in funding, however until the contractors have been appointed and value engineering exercises concluded this will not be known for sure.

**Proposal**

As a result the proposal is to, in addition to progressing with Clayworks and Smithfield 2, also progress with Spode No 5, Swann House, and Longton Town Hall and hold back on the CoRE project until it is clear that an affordable scheme can be delivered. CoRE has been selected to hold back on as it is the least complex of all the projects and has the lowest capital investment necessary and it is considered that the CoRE element could be delivered even with a smaller capital investment. The smaller CoRE projects can be held back until mid January which would still enable its completion by the March 22 date if it were to progress.

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| **CoRE** | **21/22** | **Yr 2** | **Yr 3** | **Total** |
| **Business Floorspace** | **287** |  |  | **287** |
| **Business Start-ups** |  | **8** | **2** | **10** |
| **Jobs Created** |  | **40** | **10** | **50** |
| **Construction Jobs** | **3** |  |  | **3** |

For completeness the outputs to be delivered by the CoRE scheme are tabled above. The projects was always to undertake a refresh of what is already employment space and therefore, even if a reduced budget does result it is still considered feasible to be able to deliver the vast majority of the output as identified above.

If Getting Building Fund monies are to be maximised then it is beneficial to view the whole programme as one rather than having dedicated amounts of GBF aligned to schemes within the programme. By doing this the GBF can be sent at the earliest opportunity thereby maximising spend of the LEP allocation.

**Delivery Timescales**

The second issue to draw SPMG’s attention, which in part relates to the issue above, is in respect of the defrayment of Getting Building Fund monies. As was agreed at the outset, the programme has progressed on the basis that the GBF monies would be defrayed in the first instance with any match funding following on through to project completion.

Despite starting the design, specifications and tendering exercises at the very earliest opportunity, delays in both the procurement and planning/Listed Building Consent process have impacted on the ability to defray the whole £2,450,000 of GBF by March 2022.

Now that tenders have been returned work is underway to maximise spend at the very earliest opportunity using all suitable tools at our disposal. At present, and prior to this spend maximization exercise, it is estimated that between **£600,000 and £700,000** may not be defrayed by the March date, However, working with our delivery team a first review of spend maximization exercise has identified items to the value of circa **£500,000** which could be ordered soon after award of contract**,** this action will bring the spend programme much closer to target With material supply chains and delivery times as they currently are, this would be a prudent course of action in any event, so as materials and equipment is on site ready for its use and installation.

However even in light of this action to be taken, It would be pertinent, through the LEP’s freedoms and flexibilities, to take preparatory action to ensure that should a underspend issue arise, that it can be addressed. It is therefore proposed that in this eventuality the Etruria Valley Scheme, a recognized LEP scheme is used to ensure full defrayment of the Getting Building Fund by the March 2022 deadline.

This issue has been raised in principle with the LEP’s Section 151 office, and as is being conveyed above, it appeared that there would be tools at the LEP’s disposal to ensure that the GBF monies could be spent by the March 2022 deadline should this need arise.

**Summary**

1/. The SPMG Board are asked to note the cost increases and the additional match funding that has very recently been secured for the programme, increasing the overall viability of the programme despite the challenges it is having to address.

2/. That SPMG endorse the approach being taken by progressing all schemes at the very earliest opportunity with the exception of CoRE, with the ambition to bring this project forward within the first quarter of 2022.

3/. That in order to maximise spend the projects are viewed as a whole programme, in each case, utilizing GBF monies in the very first instance and only using match once the full amount of GBF has been defrayed

3/. That the SPMG Board recognize the challenges that have faced the delivery of this programme and confirm agreement to the use of Etruria Valley, using the LEP’s ‘freedoms and flexibilities’, to ensure that the Getting Building Fund allocation awarded to the Powering Up Enterprise Programme can be demonstrated as being defrayed by the March 2022 deadline.

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| **SSLEP Executive Board** **SPMG Recommendation:** |