Item ?

**STOKE & STAFFS LOCAL ENTERPRISE PARTNERSHIP**

**STRATEGIC PROGRAMME MANAGEMENT GROUP**

**21st December 2021**

**LGF / GBF Spend Update / Contingency Planning**

**LGF**

One scheme, Blythe Park, remains a risk. An LGF allocation of £1.250m has been made and paid to support this scheme.

If SPMG continue to support the scheme following the review of the revised business case, then no action is required from an LGF payment perspective. An amendment to the existing grant agreement will need to be made to reflect the changes to the scheme e.g. revised timescales for delivery of outputs.

If the scheme does not proceed or SPMG are mindful to withdraw support, following a clawback process this funding will return to the SSLEP.

It is understood BEIS are unlikely to request that this be returned to government and therefore this funding would be available for alternative use. (*BEIS have indicated they would expect that if this funding is returned* *to* *the SSLEP it* *should be expended before 31 March 22*.)

Potential options are:-

1. Utilise on a new scheme(s). These would need to be identified, logically through an open call, which would immediately be an issue from a timescale point of view indicated by BEIS.
2. Hold the funding in reserves until an alternative use is identified, (effectively ignoring advice of BEIS). This would increase the estimated level of the Projects Reserve to £1.9m at 31st March 2022.
3. Utilise part of the funding (£0.524m) to support the GBF schemes which are being part funded from reserves and use the balance as per a), b) or d).
4. Utilise the funding to support the I54WE that is currently in the GBF programme (and was also in the LGF programme), rather than utilising future business rates from the I54. SSLEP still owes circa. £1.761m to this scheme and using this money to part fund this would reduce the overall value of the amount owing (reduced interest charges) and mean business rates would be available sooner for re-investment. The latest estimate is that the SSLEP will receive business rates from the I54EZ of circa. £3m p.a. from 2025/26. The first call on these business rates will be the balance owing on the I54WE above, unless other sources of funding are utilised to pay this outstanding debt.

In determining an alternative option, should SPMG be mindful to withdraw the funding, the SSLEP needs to consider the outputs that are due to be delivered on the Blythe scheme (according to the original contract this was 168 houses and 415 jobs) and the impact on the overall targets the SSLEP is tasked to deliver from the LGF programme.

**GBF**

Separate papers elsewhere on the Agenda have highlighted issues with several schemes being unable to meet the 31st March 2022 spend deadline for GBF.

A summary of the current position is:-

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| --- | --- | --- | --- |
| **Scheme** | **GBF est. underspend 21/22**  **£m** | **Reserves est. underspend 21/22**  **£m** | **Notes** |
| Cornhill | £0.291 | £0.284 | Decision required whether to continue to support – scheme not yet contracted |
| Keele IC7 | £1.200 |  | Assume continue to support the scheme |
| Shirehall | £0.578 |  | Assume continue to support the scheme |
| Powering Up Enterprise | £0.200 |  | Best case scenario – potentially additional £0.5m. Assume continue to support the scheme. |
|  |  |  |  |
| **Total** | **£2.269** | **£0.284** |  |
|  |  |  |  |

In order to maximise GBF spend, the first call on the forecast GBF underspend would be to utilise it to replace the SSLEP reserve funding which has been agreed on 3 other GBF schemes of £0.239m. The equivalent amount of reserves could then be earmarked to support the schemes above in 22/23.

This would then leave an estimated £2.030m of “unspent” GBF at 31st March 2022.

To demonstrate full use of the GBF grant, the balance of the underspend would need to be utilised on an existing GBF scheme, where funding could be subsequently switched back to support the above schemes in future years.

The only scheme available is the I54WE scheme, which as set above, would mean the funding would not be available to switch back to these schemes until 25/26, which would cause issues for the scheme promoters. There is also an inherent risk around the future of EZ business rates, should the SSLEP not exist in the future. This option would also not utilise all of the unspent grant, and an underspend against GBF of approximately £0.269m would still be reported.

The most prudent approach therefore would be for the GBF underspend to be carried forward by using the freedom and flexibilities of the accountable body to do a funding switch with another SCC capital scheme. This would ensure the funding is immediately available in 22/23 to fund the above schemes.

SPMG should note however, that when the accountable body uses its freedom and flexibilities to carry forward this funding, the SSLEP will report an underspend in its formal returns to BEIS, effectively showing under delivery against its GBF spend targets. This is a reputational risk to the SSLEP and potentially more widely Staffordshire, although given the economic issues over the last two years, it could be argued some slippage in the programme was inevitable.

Based on the above figures, an underspend of circa £2m (10.7%) would be reported against the total GBF allocation of £18.650m (excluding Drakelow).

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