

Hull and East Yorkshire LEP Board

Investment Programmes

Report to the Board, September 2021

Report from Karen Oliver Spry

Paper F – Investment Programmes

1. **Summary**

1.1. This report provides a summary of delivery progress of the Getting Building Fund to 30th June 2021 (Q1 reporting period) and seeks approval from the HEY LEP Board in relation to two decisions.

2. **Recommendations**

2.1. That the Board notes the latest progress report.

2.2. That the Board agrees to reallocate £200,000 within the Getting Building Fund programme from management and Administration to Growing Hull and East Yorkshire Business Investment Grants.

2.3. That the Board approves the proposed variations to the legacy Local Growth Fund programme.

3. **Background**

3.1. Responsibility for programme delivery, including management and output monitoring, transferred to the HEY LEP from the Humber LEP on 1st April 2021.

3.2. The Board is required to review and scrutinise programme delivery, making decisions based on officer advice and recommendations on interventions to address programme performance issues.

Getting Building Fund

4. **Delivery report**

4.1. This delivery report reflects the situation at the last complete quarterly claim period to end of June 2021 (Q1). Progress dashboards for spend and output delivery are included at Annex 2.

4.2. Progress has accelerated across the majority of projects. At the end of the Qtr. 1 period all projects have submitted claims and output delivery continues to be seen, with progress being made in achieving jobs, assisting businesses, creating commercial floorspace and new roads/cycle ways. It should be noted that delivery of outputs such as houses will be achieved over several years following investment.

4.3. Two projects (RaisE and Grovehill Business Centres) have claimed their GBF spend in full with a further project (Highways Resilience Programme) expected to draw down their GBF funding in full by the end of Qtr.2.

4.4. Although projects have experienced some slippage from their original business case position, the accountable body has been able to address slippage/reprofiling through use of capital switching freedoms and flexibilities. Just one project has experienced significant slippage (HEY Cycle Route Delivery) but no projects have flagged any serious cause for concern. Further details are below under Risk Management. The programme delivery team continues to work with all projects, but especially those flagging higher delivery risks to ensure timely programme delivery.

4.5. As per the Qtr.1 returns the overall spend profile for GBF was as follows:

	Contracted	2020/21	2021/2022				Total
			Qtr.1	Qtr.2	Qtr.3	Qtr.4	
GBF	£13,400,000	£4,576,850	£2,032,979	£1,841,752	£2,704,611	£2,243,808	£13,400,000

5. Risk Management

Project	Delivery Risk	Actions
Hull & East Yorkshire Cycle Route Delivery Programme	Delivery slippage due to competing for permits with other work along one of the cycle routes. This element of work has now been delayed until next financial year (this will be paid for out of match funding and will not affect GBF defrayal) but will mean some output delivery will be delayed.	Revised programme of works and profiling expected as part of the Qtr.2 claim. Programme delivery team to monitor
Delivering Housing Growth (3)	Delays caused due to issues with land transfer to Northern PowerGrid for the substation. It is understood that work will slow due to having to work around the utilities.	Project team still believes that completion by the 31/03/2022 is achievable, although spend is now backloaded to Qtr.3/4.

		<p>Team to submit revised spend and delivery profile.</p> <p>Programme delivery team to monitor</p>
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6. Reallocation of Surplus

- 6.1. An allocation of £400k was been ring-fenced from within the GBF programme to cover management and administration costs including salaries of the Investment Programme Team, relevant accountable body costs and the cost of independent technical appraisals. The Board has previously been advised that this allocation would be reviewed with a recommendation to the Board for reallocation of any arising surplus
- 6.2. A surplus of £200k¹ has arisen in this allocation due to a combination of factors including not recruiting additional monitoring resource, Investment Programme Manager's time being allocated to the Humber Industrial Cluster Plan and lower than anticipated due diligence costs.
- 6.3. The LEP's Assurance Framework sets out the process for allocating programme funding. Due to the short delivery timescales, it is not viable to draw forward new projects from the pipeline, therefore it is desirable that funds be reallocated to a project that has already been through the programme's agreed approvals process.
- 6.4. Growing Hull and East Yorkshire Business Investment Grants scheme is now fully committed with a significant oversubscription and capacity to absorb more funds to deliver additional programme outputs. The programme currently has just £42k² remaining and applications in appraisal to a value of £353k.
- 6.5. It is proposed that the £200k surplus is reallocated to Growing Hull and East Yorkshire for commitment as business investment grants with a proportional increase in outputs for that programme as follows:

	Value	Businesses supported	PSL	Jobs	Commercial floorspace
Original	£1,500,000	24	£4,500,000	95	1,000 m ²
New	£1,700,000	27	£5,100,000	108	1,114 m ²

¹ This includes £19.3k M&A underspend carried forward by the AB using their capital switching freedoms and flexibilities from the legacy LGF programme.

² This includes an additional £70k M&A underspend from within that programme which has been reallocated to grants.

It should be noted that the programme is already profiling an overachievement across all outputs.

6.1. The LEP Board is recommended to reallocate £200,000 within the Getting Building Fund programme from Management and Administration to Growing Hull and East Yorkshire Business Investment Grants with associated increase in outputs as set out above.

Local Growth Fund (legacy programme)

7. Transition of South Bank Projects

7.1. Representatives of the Accountable Bodies for HEY and Greater Lincolnshire LEPs (Hull City Council and Lincolnshire County Council respectively) are in the process of finalising the agreement that will transfer ongoing monitoring responsibilities for LGF-funded projects in North and North East Lincolnshire to Greater Lincolnshire LEP, as agreed with BEIS.

7.2. It has been agreed that GLLEP will take on monitoring responsibilities once projects are physically and financially complete, however there are two projects (Lincolnshire Lakes and Constructing Future Growth) that to all intents and purposes are complete but where leverage is required to be secured to complete the project's contracted match contribution and therefore they are not recognised as financially complete.

7.3. The agreed solution is to issue project variations which would convert the outstanding match to an output for monitoring. This would have the effect of reducing the programme match but increasing the leverage output as follows:

Project	Contracted Match	New Match	Contracted Leverage	New Leverage
Lincolnshire Lakes	£40,157,059 (£39,419,360 private sector, £737,699 public sector)	£25,637,699	£0	£14,519,360 (private sector)
Skills Capital: Constructing Future Growth	£8,700,333 (public sector)	£2,615,138	£0	£6,085,195

7.4. The impact on the overall programme would be as follows:

Match			Leverage		
Target	Contracted	New	Target	Contracted	New
£380.0m	£465.7m	£445.1m	£0	£0	£20.6m

The programme has already achieved match funding of £400,461,640 (£268,922,776 public, £131,507,022 private, £31,842 third Sector) and therefore programme delivery is not considered to be adversely affected by the proposed variations.

7.5. The Board is recommended to approve the proposed variations to the legacy Local Growth Fund programme.

8. Financial Implications

8.1. There is no call on the HEY LEP's core budget to support delivery of the Investment programmes at the current time. However, there will be ongoing programme monitoring requirements to at least 2025.

8.2. The Investment Programmes team is currently funded to 31st March 2022 when the existing GBF programme ends. Consideration will need to be given to how ongoing monitoring requirements are met in future years.

Annex 1 – GBF Programme Summary

Project	Summary	Allocation
Growing Hull and East Yorkshire	Business grant programme building on the established and successful Growing the Humber business investment programme. The scheme provides capital grants to stimulate growth in SME businesses.	£1.5m
Hull and East Yorkshire Highways Resilience Programme	Second phase of a programme that was previously funded through the York, North Yorkshire & East Riding LEP Growth Deal as a DfT retained scheme which has been expanded to cover neighbouring Hull.	£2m
RaisE Business centre and Innovation Hub	RaisE Business Centre and Innovation Hub will be adjacent to the Siemens Mobility train factory on the Goole 36 Enterprise Zone. It will provide high-tech managed workspace and R&D facilities in manufacturing, engineering, and rail supply chains, and is being developed in partnership with Siemens Mobility and the UK Rail Innovation Network (University of Birmingham).	£1m
Delivering Housing Growth Programme – Ings and Wawne 2	Extension of the existing, successful Delivering Housing Growth in Hull programme, previously part-funded through LGF. Investment will deliver new spine roads, electricity supplies and drainage to accelerate delivery on two key housing sites.	£4.8m
Hull and East Yorkshire Cycle Route Delivery Programme	Programme of cycle infrastructure upgrade and provision of new cycle facilities where there are gaps in the network across the City of Hull and adjoining urban areas of East Riding of Yorkshire.	£2.7m
Managed Workspace Programme A - Grovehill	A new and improved managed workspace offer to meet demand and stimulate economic recovery at the Grovehill site near Beverley.	£0.5m
Managed Workspace Programme B – Bespoke and Boulevard	A package of new and improved managed workspace offers to meet demand and stimulate economic recovery in Hull.	£0.5m

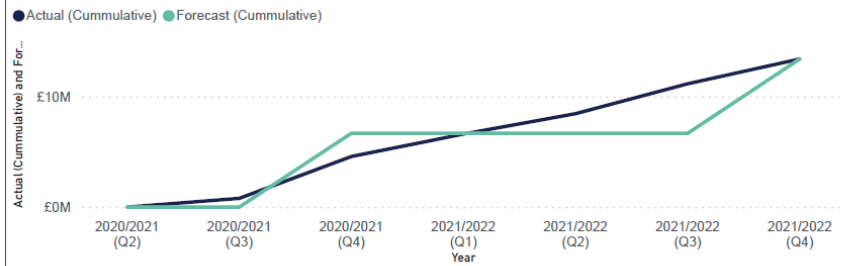
Programme Management	Resource to ensure the robust management and administration of the programme. The programme is managed and monitored by the LEP's experienced Investment Programme Team, with support from officers of the Accountable Body	£0.4m
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Annex 2 – Q1 spend and output dashboards (to 30th June 2021)

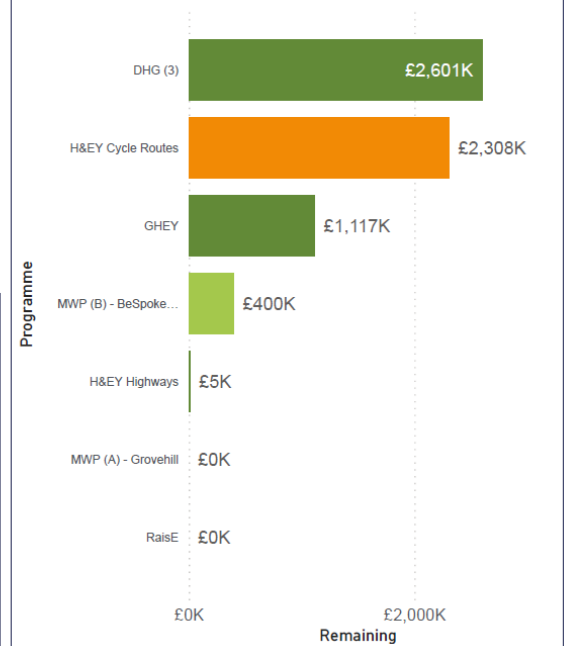
Getting Building Fund (GBF) spend status overview - to end Q1 2021/22 July 2021

Total GBF	Spent	Profiled	Unallocated	Projects	Completed	In Delivery	In Appraisal
£13.4M	£7M	£6.8M	£0	7	2	5	0

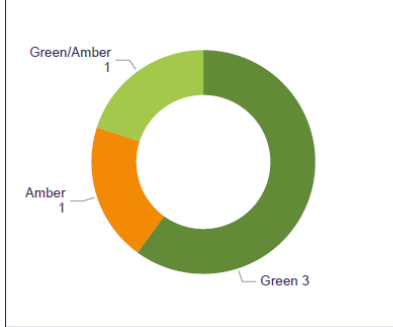
Actual (Cumulative) and Forecast (Cumulative) by Year



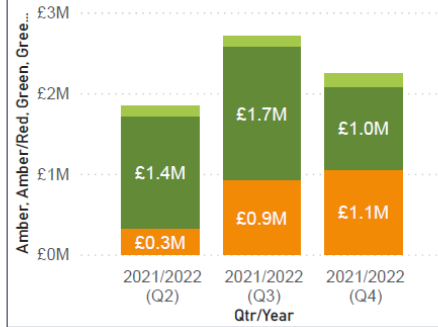
Remaining GBF by Programme (Q1 21/22)



Number of Projects by RAG (Q1 21/22)



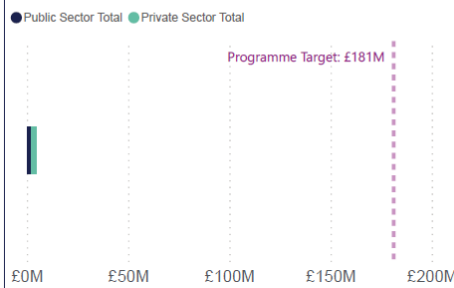
Remaining spend by RAG status (Q1 21/22)



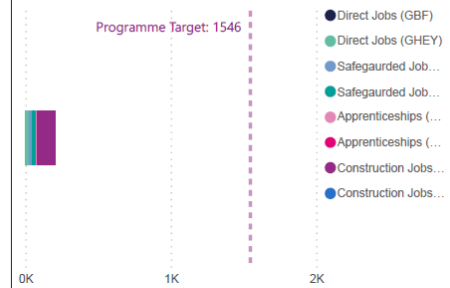
Getting Building Fund (GBF) Outputs (Q1 2021/22) July 2021

Match Funding	Jobs (Direct/ Safeguarded/ Apprenticeships)	Construction Jobs	Businesses Assisted	Houses Unlocked	Commercial Floorspace (m²)	Roads/Cycle Lanes/Walkways (km)	Public Realm/Green Space Created (Ha)
£4.45M	77.00	128	22.00	0	382.00	8.35	0

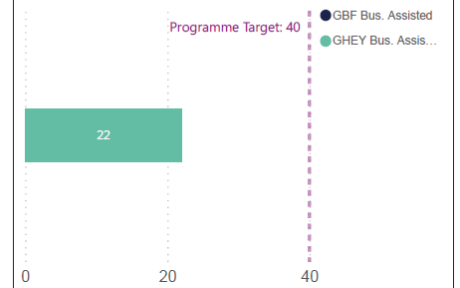
Match Funding (Q1 2021/22)



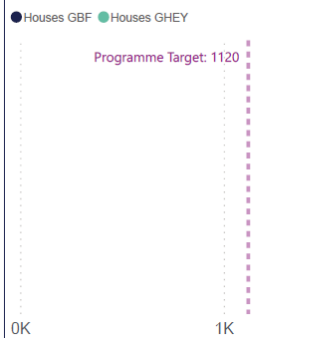
Jobs Achieved (Q1 2021/22)



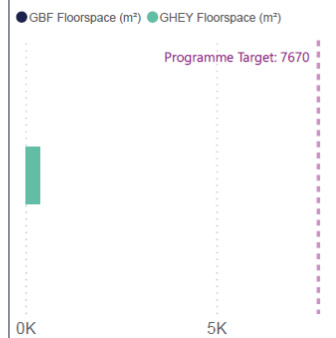
Businesses Assisted (Q1 2021/22)



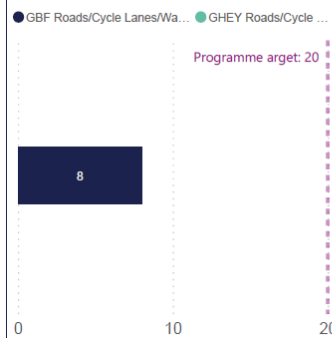
Houses Unlocked (Q1 2021/22)



Commercial Floorspace (m²) (Q1 2021/22)



Roads/Cycle Lanes/Walkways (km) (Q1 2021/22)



Public Realm/Greenspace created (Ha) (Q1 2021/22)

