

Audit, Finance and Governance

Investment Programmes

Report to the AFG, September 2021

Report from Karen Oliver Spry

Paper A – Investment Programmes

1. Summary

- 1.1. This report provides an overview of the LEP's Investment Programmes and summarises delivery progress to 30th September 2021 (Q2 claim period).
- 1.2. This report also advises the AFG in relation to the strategic review of the Growing Places Fund (Business Loan Fund) that is underway.

2. Recommendations

- 2.1. That the AFG notes the latest report.

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 LEP Board, Business Support Board and Infrastructure Boards are 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. On 30th June, the Prime Minister announced the new £900m Getting Building Fund investing in shovel-ready local infrastructure projects to drive economic growth. In July, a communication from the Minister for Regional Growth and Local Government confirmed an allocation of £13.4m for the LEP and acceptance of the submitted programme to be delivered by 31 March 2022.
- 4.2. The programme consists of 7 capital projects that include 3 infrastructure schemes (housing and transport) and 4 business support projects (business centre, managed workspace and business investment grants).
- 4.3. A summary of the projects delivered through the programme can be found at Annex 1.

4.4. This delivery report reflects the situation at the last complete quarterly claim period to end of September 2021 (Q2). Progress dashboards for spend and output delivery are included at Annex 2.

4.5. Progress has accelerated across the majority of projects. Four of the seven capital projects have claimed their GBF spend in full. It should be noted that delivery of outputs such as houses will be achieved over several years following investment.

4.6. 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.

4.7. As per the Qtr.2 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	£979,412	£3,133,578	£2,677,180	£13,400,000

4.8. An allocation of £400k was 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. A surplus of £200k¹ had 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. Due to the short delivery timescales, it was not viable to draw forward new projects from the pipeline, therefore the LEP Board was recommended and agreed to reallocate the surplus 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

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

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.

Local Growth Fund (legacy programme)

5. Transition of South Bank Projects

- 5.1. Through three Growth Deals secured with Government between 2014 and 2017, the Humber LEP secured £131.71m to deliver a programme of capital investments targeting identified growth priorities and maximising the potential offered by the Humber Estuary. They included investment in flood alleviation, transport, housing and place-making, as well as £8.23m ring-fenced to support investment in skills.
- 5.2. Although the Local Growth Fund ended on 31st March 2021 with the significant majority of these projects being financially and physically complete at this time, a small number of projects will be completed in the 21/22 financial year. In addition, there is an ongoing requirement to monitor and report output delivery for the programme.
- 5.3. 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.
- 5.4. It has been agreed that GLLEP will take on monitoring responsibilities once projects are physically and financially complete.

Growing Hull and East Yorkshire Business Investment Grants

6. Background and Delivery

- 6.1. This is a business grant scheme, delivered as part of the Getting Building Fund programme and administered directly by the HEY LEP. In line with the timescales of the Getting Building Fund programme, delivery runs to 31st March 2022.
- 6.2. The programme builds on the previous success and legacy of the Humber LEP's Growing the Humber business investment grant programme, with funding decisions delegated to the HEY LEP's Investment Panel, Chaired by David Kilburn.
- 6.3. To date the programme has committed £1.47m of the available £1.7m with a further £100k projects currently in appraisal and a significant pipeline of interest.

6.4. Separate programme dashboards for spend and output delivery are included in Annex 2. The programme is making good progress with achieving outputs and is profiling to overachieve in every category.

Growing Places Fund (Business Loan Fund)

7. Strategic Review

- 7.1. In 2012 the Humber LEP received an allocation of funding known as Growing Places Fund with which to stimulate delivery of stalled infrastructure projects and other economic development activity. In common with several LEPs at the time, a revolving Business Loan Fund (BLF) programme was established, administered by the LEP with Hull City Council as accountable body.
- 7.2. The programme has offered loans to businesses at below commercial level interest rates and providing favourable, flexible terms with no fees to help de-risk activity. Although originally aimed at stalled infrastructure and development, the flexibility of the fund has meant that the type of project considered has been varied and loans have been awarded for property purchases and investment in capital equipment, as well as infrastructure and development schemes.
- 7.3. At the time of inception, the impact of the global economic recession that started in 2008 meant that finance options to support business growth were limited. There was widespread consensus that the availability of finance from conventional lenders had been significantly scaled back, as had the availability of government grant funding with the demise of the Regional Development Agencies.
- 7.4. The BLF has subsequently become part of a broader and increasingly populated funding picture that includes increased accessibility to traditional bank finance, as well as newer companies specialising in various types of mezzanine finance and the Northern Powerhouse Investment Fund (NPIF)² supported by a £5m contribution from the Humber's European Social Investment Fund (ESIF) contribution. In addition, since 2013, businesses have had greater access to capital grant funding via a £30m Regional Growth Fund grant programme, £131m Local Growth Fund secured through the government's Growth Deals and latterly £1.5m from the Getting Building Fund programme.
- 7.5. Interest in and take up of the loans offered has for a number of years been limited, with only 2-3 applications received p/a. This is in stark contrast to the ongoing and significant interest in grant programmes such as Growing the

² www.npif.co.uk

Humber and Growing Hull and East Yorkshire, although both have been promoted by business support providers.

- 7.6. At the close of the Humber LEP at the end of the March 2021, the entire Growing Places Fund and Business Loan Fund programme were transferred to the HEY LEP's governance and administration. In July, the LEP Board agreed a recommendation to close the Business Loan Fund programme to new applications pending an officer review of the programme and options for a new business support programme to be conducted under the oversight of the Business Support Board.
- 7.7. At the 20/21 year end £12.83m loans had been agreed since programme inception and the value of the Growing Places Fund was £8.9m, inclusive of interest earned. Of this £5.6m was committed in outstanding loans, with a further £1.3m committed as further advances, leaving approximately £2m available for commitment. Repayments of approximately £0.8m are expected in the current financial year suggesting a new programme could start with around £2.8m from April 2022
- 7.8. Early indications suggest that a grant only or blended grant/loan scheme may be welcomed.

Investment Programmes

8. Delivery Costs

- 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.	£1.7m
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

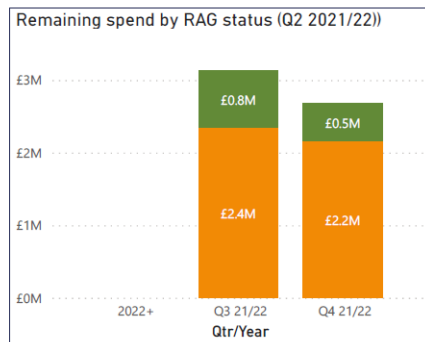
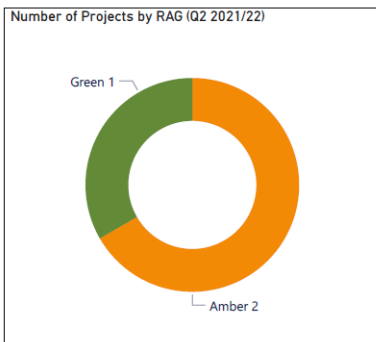
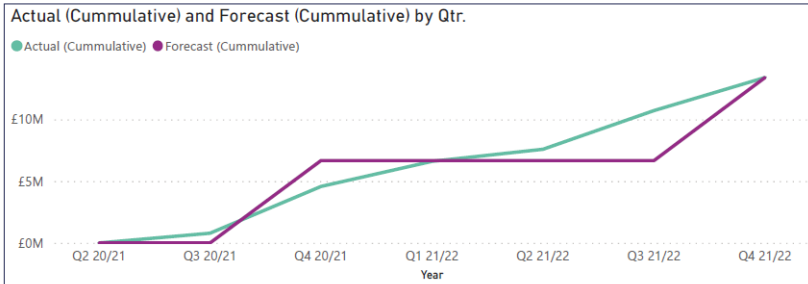
Programme Management	Resource to ensure the robust management and administration of the programme. The programme is managed and monitored by the LEP's experienced Investment Programme Team, with support from officers of the Accountable Body	£0.2m
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Annex 2 – Q2 spend and output dashboards (to 30th September 2021)

Getting Building Fund (GBF) spend status overview - to end Q2 2021/22

October 2021

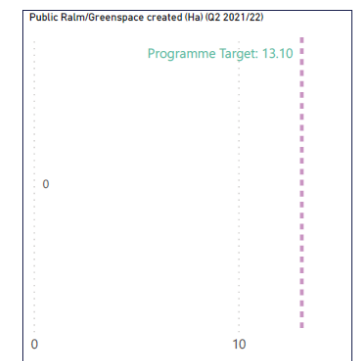
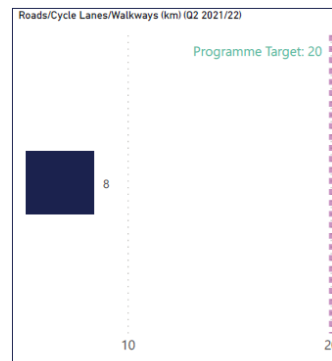
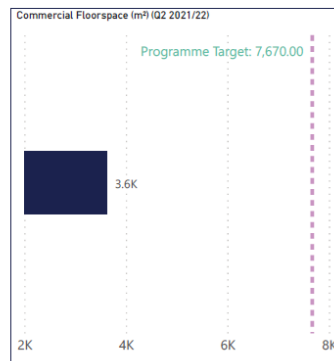
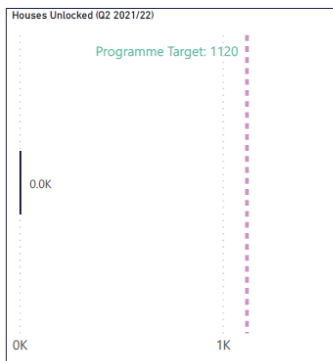
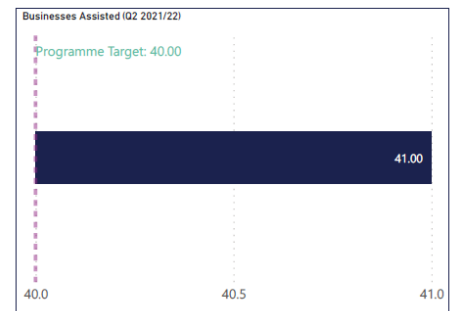
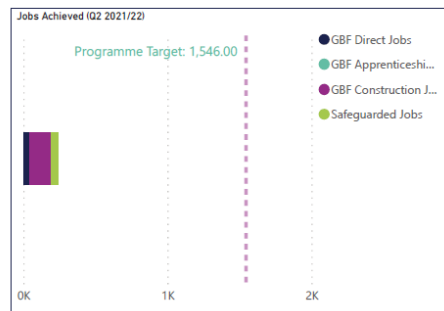
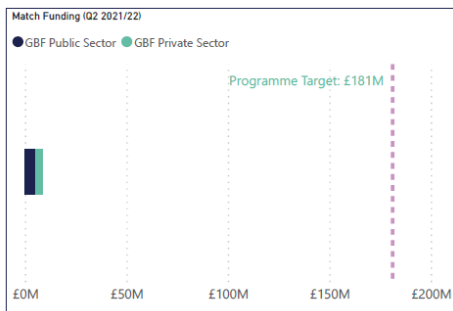
Total GBF	Spent	Profiled	Unallocated	Projects	Completed	In Delivery	In Appraisal
£13.40M	£7.59M	£5.81M	£0	7	4	3	0



Getting Building Fund (GBF) Outputs (Q2 2021/22)

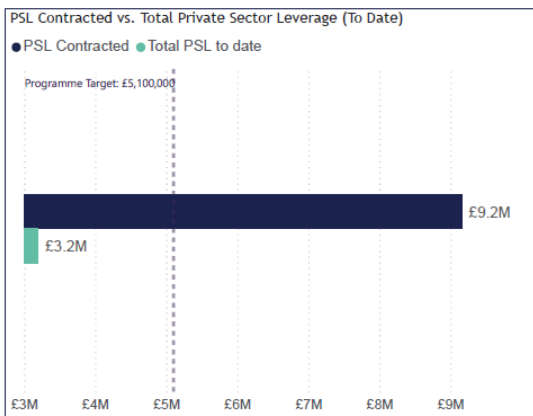
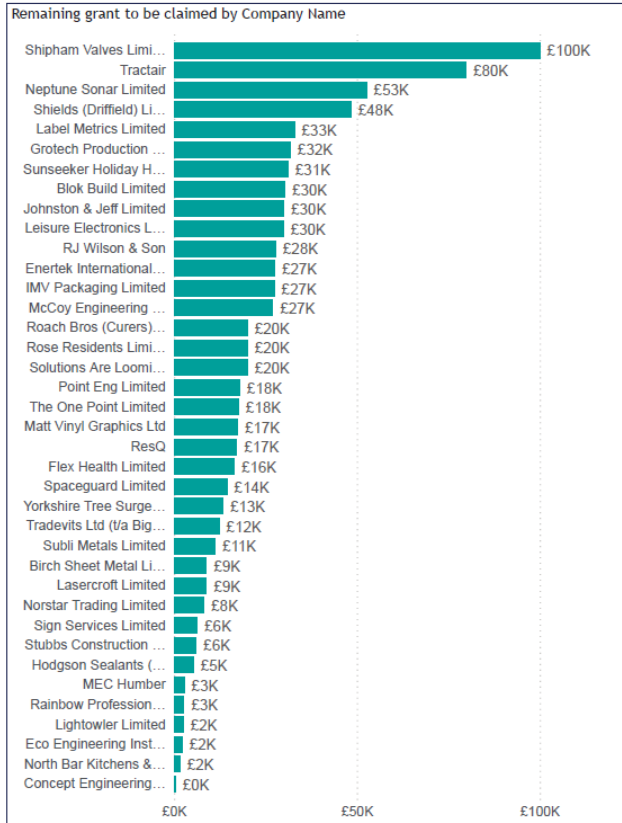
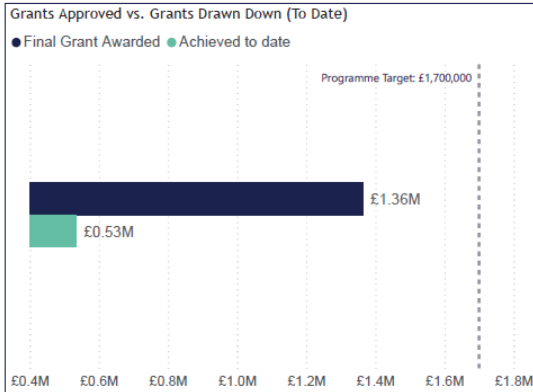
October 2021

Match Funding	Jobs (Direct/ Safeguarded/ Apprenticeships)	Construction Jobs	Businesses Assisted	Houses Unlocked	Commercial Floorspace (m ²)	Roads/Cycle Lanes/Walkways (km)	Public Realm/Green Space Created (Ha)
£8.38M	91.00	151.60	41.00	0	3.61K	8.35	0.00



Growing Hull & East Yorkshire Investment Data
30th September 2021

Funding Contracted	Funding Claimed	PSL Contracted	PSL Claimed	Live	In Appraisal	Financially Complete	Total Completion	Withdrawn
£1,364K	£535K	£9.15M	£3,195K	38	5	2	2	10



Growing Hull & East Yorkshire Outputs Data
30th September 2021

Direct Jobs Created	Safeguarded Jobs	Commercial Floor Space (m ²)	Businesses Assisted
40.2	27	2335	40

