

AGENDA ITEM 5 (b)

PAPER FOR THE FINANCE AND AUDIT COMMITTEE 14/09/2021

OVERVIEW OF PROGRAMME FUNDS

Local Growth Fund

The Local Growth Fund came to the end of its investment period on 31st March 2021 and the past few months have been focussed on obtaining, checking and approving the final claims from project managers. As at 31st March 2021, cash balances were £6.053M, since when almost all the remaining funds have been claimed and processed. A final reconciliation is being completed prior to Rachel Laver's departure from the LEP.

Getting Building Fund

GBF is supporting three large scale projects progress on which is somewhat mixed. The Chester drainage tunnel is progressing at pace and is negotiating the tricky phase of passing under the City Walls. Development at the Medicines Discovery Catapult at Alderley Park and development of Warrington Bus Depot are experiencing some challenges. These vary in nature but can be summarised by delays on construction, where sourcing materials and labour has been difficult. Costs in the sector are rising rapidly and discussions are considering whether to relax the requirement to achieve full spending by the current deadlines; the current climate risks higher costs than necessary, mitigated by scaling back of projects, which may not represent best value for the public purse. In addition, MDC are finding specialised equipment has long lead times for delivery and commissioning. Early payment risks initiating warranty periods before kit is fully installed. We have more flexibility in Warrington, where funds can be switched to support other projects with Warrington making up the funding on the Bus Depot directly. So far, approximately half the GBF funding has been claimed with £7.7M remaining.

Growing Places Fund

GPF was initially funded with £12.1M which, in the meantime, has been reduced to £9.7M following decisions responding to Covid-19 during 2020-21. The LEP Board agreed to two phases of business restructuring grants (£1.2M) and to support the development of business cases (£1.2M).

GPF has been used to provide a loan to support the development of the Cheshire Green industrial park. The loan is repaid in instalments as and when plots within the park are sold and the current outstanding balance is ca. £3M. Interest in the site remains strong, with a disposal taking place early in the year resulting in a receipt of £41k. Disposals are expected to continue with the loan due for repayment by September 2022. We are working to update forecasts to establish whether any alternatives should be prepared.

Temporary funding of EZ projects was provided by GPF. We are in the process of making drawdowns under the CWaC EZ loan facility which when completed will leave GPF an available balance of £6.7M, increasing as the Cheshire Green repayments are made.

There are several potential investment opportunities for those funds, currently at early stage. A proposal is being considered by Strategy Performance Board in September, and in addition, the board agreed to " earmark " £5M of GPF funds to a Second Life Science Fund. The commitment to the fund is expected to be met by returns from the First Life Sciences Fund but, as these cannot be guaranteed or may not be available to meet the subscription timetable, GPF is effectively underwriting the decision.

Enterprise Zone Retained Business Rates

The cash balance for the EZ fund as of 31st July 2021 stood at £3.33M. In the first few months £0.6M has been drawn to cover the LEP's commitment to pay grants in support of the Accelerate project with £0.2M utilised for EZ programme and LEP operational costs. The balance includes £3.08M (of £4M) of loan funds drawn down in readiness to meet payments for Blocks 22-24 at Alderley Park. The remaining balance of £0.25M has been fully allocated towards ongoing EZ programme and LEP operational costs.

In the short term, there will be marginal scope for additional projects funded from retained business rates. However, in the medium term the position is improving. We are forecasting a better out turn for business rates income in 2021-22 than the budgeted £1.3M and the outgoings for projects have reduced. The first phase of Aviator (at Hooton Park) completed for £1.3M instead of £1.7M and a follow-on grant of £1.0M for the phase 2 development is not now required, the construction contract secured at a lower value. In addition, a Birchwood scheme has completed for significantly less than planned. In both cases the expected business rates uplift remains as planned and will enable loans to be repaid more quickly.