

Meeting: Coast to Capital Investment Committee Meeting
Date: 7 June 2019
Report Title: Funding Withdrawal Protocol
Report by: Anthony Middleton and Cali Gasson
Item No: 4

Recommendation:

The Investment Committee is asked to:

-To **approve** the implementation of the Board Funding Withdrawal Protocol for the LGF programme, and to recommend its adoption to the Board.

1. Introduction

- 1.1 In order to improve our governance around Investment projects, this report proposes an extension to the existing High Risk Project Monitoring protocol.
- 1.2 The extension known as the 'Funding Withdrawal Protocol' relates to the removal of both earmarked and/or failing project funding.
- 1.3 The backdrop to this is the Growth Deal spending period, whereby Local Growth Funding (LGF) must be fully drawn-down by March 2021.

2. Detail

- 2.1. As we get closer to the March 2021 Parliamentary spending period deadline for our Delivery Bodies to have drawn-down all of the LGF funding awarded under Growth Deal 1, 2&3, there is a need to mitigate the risk of unspent funding being lost to the region.
- 2.2. Our 'High Risk Project Monitoring Protocol' brings to the attention of the Investment Committee and the Board, any projects that are at risk of not drawing down their full LGF allocation by March 2021.
- 2.3. The protocol gives the Investment Committee the opportunity to:
 - 1- Decide that the project can proceed under close monitoring.
 - 2- Withdraw and re-allocate funding to other SEP priority projects.

- 3- Agree a 'watch and wait' period based upon suitable delivery body assurances.
- 4- Write to government requesting an extension of time for draw-down of funding and then choose either action 1-3 above.

2.4. Under the scenario where the Investment Committee recommends to the Board option 2: the 'withdrawal and re-allocation of funding', we have set out a proposed protocol for the Board to follow in order to confirm the decision to withdraw funds.

2.5. Such an approach may also be necessary where projects have had funding earmarked against one of the original growth deals (2016-17), but have not yet had their Full Business Cases approved by the Board.

3.0. Re- Governance

3.1. Accordingly, these projects will be 're-governed' under the requirements of paragraph 148 of the National Assurance Framework 2019;

For project and investment funding the Local Assurance Framework should also include a statement setting out the documents which will be made available to the LEP Board in advance of making a decision to allow them to make an informed assessment of the issues, including (either in full or summary where appropriate):

- a. The application made for funding;*
- b. An appraisal of the application;*
- c. A view by a legal expert, if required, on legal considerations including, where applicable, the percentage risk of challenge and non-compliance with the proposed course of action and any mitigating factors which may be taken to address this.*
- d. A recommendation as to whether to fund the proposal; and*
- e. A recommendation about conditions which should be attached to the proposal.*

3.2. Following 're-governance' as above, if the project still falls within the 'High Risk Project Monitoring Protocol' criteria, and the Investment Committee still determine that the recommendation is option 2, the Board will be invited to commence taking the steps listed within the Funding Withdrawal protocol.

3.3. This protocol places the Delivery Body on final notice that unless one of the below options is satisfied, then funding will be withdrawn in accordance with the protocol:

A- That the Delivery Body puts in place remedial action to the satisfaction of the Investment Committee and Board, to ensure the full LGF funding award can be fully drawn-down by March 2021.

B- That the Delivery Body obtains from the relevant Minister, a Government dispensation to extend the funding period. It should be noted that this option

would only be applicable if Coast to Capital had already written to Government as part of the 'High Risk Monitoring Protocol'.

- C- That the Delivery Body provides a credible proposal to be agreed by the LEP Accountable Body as satisfying the freedoms and flexibilities. This should include confirmation from Government of acceptability of such proposal, to allow the award of funding to be made and released as a capital swap.

END.