

Contingency Amounts in LGF Projects

As is the best practice for any project, prior to the commencement of work, LGF projects have a risk assessment carried out as part of their business case development. Where appropriate, risks are quantified in monetary terms and a contingency budget allocated. This is standard financial planning practice.

As the project progresses, the LGF Grant Agreement between the SWLEP/Accountable Body and Scheme Promoter only allows for actual expenditure to be claimed from the LGF grant allocated to the project. Therefore, if a risk does materialise, the associated financial expenditure can be claimed from the allocated grant. However, if a risk does not materialise, even if a contingency amount was allocated in the initial business case, then no claim can be made against the LGF grant.

It should be noted, therefore, that the grant agreement is not a 'fixed price contract', where a Scheme Promoter is paid the grant amount no matter what risks do or do not materialise during the project. Only actual expenditure can be claimed for – as such, if a project completes and has not spent all the allocated grant funding, then it is expected that the remaining funding will be used by SWLEP for other projects. Conversely, if a project requires expenditure over and above the LGF grant fund amount in order to pay for additional issues that have materialised, then the Scheme Promoter will be expected to fund these itself or from other sources. No extra LGF funding is made available.

An example of this is the Corsham Mansion House project that completed in 2019 but has not claimed £144,315 of LGF funding that was part of the original £2.5m grant. This funding will be available for other projects.