



**Cheshire & Warrington Local Enterprise Partnership
Performance and Investment Committee**

Title: Programme Manager Update Report

Agenda item:7

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1. Executive Summary

Discussions have taken place with each of the three Local Authorities about how to achieve spend this year and reduce the risk of LGF not being spent by the end of March 21. An approach to increase spend and reduce risk has been provisionally agreed with each authority. Over the coming months steps will be taken to seek the necessary approvals to move money between LGF projects. It is really pleasing to see that all the changes can be accommodated within the existing LGF programme of projects and BEIS have confirmed that this is acceptable and indeed what they expected LEPs to do. The challenge now is to make sure all the projects in the programme are delivered and the associated outputs and outcomes are achieved.

Calls for applications to the Energy Fund and Skills Fund have been launched in recent weeks. The Energy Fund in particular has been getting some good coverage which should help to increase interest in the fund.

The total provisional LGF spend for the quarter is £2.35m against a profile of £2.6m, which is quite good. We should be able to achieve a good level of spend next quarter as the proposed changes to help achieve spend are put into place.

Local Growth Fund project update

Below are updates on projects by exception:

1.1. Crewe High Speed Ready Heart

There are number of elements to this scheme all of which are being progressed albeit some with delays. As reports last month works on the market hall have now started and hoardings will go up shortly which will include LEP and Northern Powerhouse branding as required. A premarket engagement process has started to promote the new market to prospective traders.

The developer agreement is now expected to be signed at the end of July. Demolition works due to start in the Autumn. Still concern about the spend profile of the project, so looking to transfer some

of the LGF into Congleton Link Road as previously discussed but need to ensure that this scheme is delivered as set out in the business case.

1.2. Omega

Outline Business Case complete and appraised and is subject to a separate paper for approval. Full Business Case expected in Autumn.

1.3. Warrington East Phase 2

The project is going really well and might even open earlier to traffic in September/October. Traffic signals going in next week. Project is due to complete in early January.

1.4. Warrington West Station

The performance model to be completed by end of July so that the impact of the station on the network can be quantified. Network change should then hopefully be in place by end of August. Still hopeful of two trains per hour.

Station works due to complete mid August. Signalling work still needs to be completed which will delay the opening of the station. WBC looking at security options for the station as there will be a two and half month delay between the station being completed and it opening.

The draft final account shows total spend of £20.88m. All the contingencies were used during the life of the project. The project is therefore £1m over budget which the council will meet but is still very good considering the number of issues encountered during the delivery of the complex scheme.

The opening is provisionally planned for November.

1.5. Skills Funding

A call for projects is now live split into three categories:

- Five investments of up to £20,000 each for specialist equipment that can be taken into schools, colleges, libraries and other community centres or could be easily accessed from key locations.
- Two investments of up to £250,000 each for specialist equipment that can be used to deliver digital and advanced engineering training and education that are particularly important to improve the competitiveness and raise the productivity of one or two specific groups of employers or sectors of industry within Cheshire and Warrington.
- Five investments of between £500,000 and £1,000,000 for specialist equipment that can be used to upskill and reskill the existing workforce so that we can transform digital and advanced manufacturing skills across all sectors of business in Cheshire and Warrington.

Deadlines for applications are as follows:

Deadline for first invitation to bid for a maximum of five investments up to £20,000	23 July 2019
Deadline for second invitation to bid for a maximum of two investments of £250,000	30 July 2019
Deadline for third invitation to bid for a maximum of five investments between £500,000 and £1,000,000	13 August 2019

1.6. Ellesmere Port One Public Estate

Good progress is being made with the project. The full business case has been completed and appraised. Planning approval is expected in September, with work to start in the bus station relocation in October and the new Hub building in January. Full approval of the project is being sought at the meeting.

1.7. Tarvin Road

Cabinet approval has now been given for the increased costs of the scheme. The full business case has been completed and the appraisal will be ready for consideration for final approval at next month's meeting.

1.8. Poynton Relief Road

The tenders have been received and are in assessment. A land owner did lodge a Judicial Review against the Secretary of State's recent decision to confirm the Compulsory Purchase Orders. It was lodged on the last day of the 6-week challenge period. The council had anticipated this and had planned around it.

1.9. Sydney Road Bridge

The road has now reopened and on time. There is some minor landscaping works to finish. A project opening will be held in August. The team at CEC and Network Rail have done really well to deliver this complex project on time.

1.10. Sustainable Travel

1.10.1. North West Crewe

CEC have made progress with acquiring the land required for the NW Crewe scheme but are yet to formalise land transfer/permissions in writing. There is one land owner which they've been unable to contact but have written to a number of times. The design of the scheme cannot be finalised until CEC know which land can be included in the scheme. However, they are continuing to run a number of workstreams in parallel and for instance expect a planning decision in November based on their preferred route.

1.10.2. Wilmslow Cycle Scheme

Good progress is being made with Wilmslow cycle scheme. The route has been agreed, there are no land issues and the scheme will be delivered by the council's maintenance team.

1.10.3. Burtonwood to Omega Boulevard

Public Enquiry to be held at the earliest on September as there were three objections to the scheme. WBC is buying the remaining plots of land. The scheme has been designed so will be ready to go as soon as the CPO process has been concluded and the land purchased. There is a 4-6 months build time so there is still adequate time to deliver the scheme despite the delays.

1.10.4. Trans Pennine Way

Business case and design work complete. For efficiency this will be considered by P&I at December as it will be appraised at the same time as Chester Road by the same consultant.

1.10.5. Chester Road

Chester Road detailed design is being worked on and business case is being worked on for consideration at December P&I as innovative crossing solutions are being considered to the north of the scheme to tie in with traffic improvements as part of Centre Park Link improvements.

1.11. Energy Fund

The Energy Fund call is now open. Applications are due by the 16th August with applications due to be considered by the strategy committee on the 20th September.

2. Finance

The provisional amount of LGF claimed this quarter is £2.35m. We need to spend £25m this year so will need to keep the pressure on projects but also look to initiate alternative spending plans. Subject to P&I approval of the Warrington West Programme of projects we should be able to achieve £4m of spend on Warrington projects next quarter. A number of other projects are expected to achieve a high level of spend next quarter due to being in full delivery or in the case of Sydney Road Bridge, due to complete and will therefore claim £585k next quarter.

3. Growing Places Fund (GPF) Update

3.1. City Place – Appraisal of Muse's business case received from Cushman & Wakefield this week. CWAC are offering to underwrite up to 75% of the loan (the maximum they can under State Aid rules). However, this leaves 25% of the loan at risk, which Muse are unable or unwilling to underwrite themselves, which will require further discussions with Muse and CWAC before we bring it back to Strategy Committee for a decision, probably in August.

3.2. Glasshouse – works progressing well, expect to PC by October 2019. First claim of £520k paid across in February. Have received second claim of £638k which we have processed and has been sent across to CEC for payment. Total of £1.15m drawn down against £3.87m grant.

3.3. Cheshire Green Employment Park - in the process of selling another four plots. Work on the spine road progressing. Great to see that the first building is now up and therefore new jobs will be created soon on the site.

4. Outputs

The change in outputs for this quarter have been limited to public and private sector leverage. They will be updated for the next meeting to include the contracted outputs for any of the projects approved at the meeting.

However, they currently stand at:

Outputs	BEIS Target	Contracted on projects	Achieved to date	Percentage achieved
New Commercial Floorspace (sqm)		180,190	363,971	202%
Renovated Commercial Floorspace (sqm)		3671	3671	100%
Businesses receiving investment		29	14	48%
Jobs created	16223	25,293	8,101	32%
Private sector Leverage	359.78	308	517	168%
Public Sector Leverage		161	92	57%
New homes completed	5,750	13,384	3,019	23%
New home starts		8,242	0	0%
GVA		136.5	13.488	10%
Space occupied at Alderley Park (sqft)		18580	1244	7%
Total amount of new road (meters)		3481	1081	31%
Total amount of road resurfaced (meters)		2120	2920	138%
Constructions jobs		960	90	9%
Learners benefitting		511	25	5%

1. Risks

The top corporate and programme risks are shown below.

Corporate

RISK SCENARIO		FUTURE CONTROLS / MITIGATION MEASURES	Residual risk rating		
RISK	IMPACT		IMPACT {1-5}	LIKELIHOOD {1-5}	TOTAL
Not complying with the General Data Protection regulation	Could lead to legal action against the LEP by not conforming.	Consultants now appointed to assist the LEP to putting systems processes in place to aid GDPR compliance. Ensure GDPR is taken into account when designing /specifying the new CRM system.	4	3	12
Clear policy on entertainment including alcohol is required, without which there may be criticism of expenditure.	Reputational damage to the company and questions over transparency of process and impropriety could be raised.	Clear policy on the purchase of Alcohol and corporate entertainment. Add notes to credit card statements with details of event attended and who was present when there are transactions for hospitality.	4	3	12
Rapid increase in staff and range of responsibilities may lead to a failure in corporate systems which need to keep up with the expansion of the team.	reputational damage. Issues with staff management, morale and retention. Exposes the LEP to legal challenge if robust systems and processes are not in place.	HR support to be bought in to review systems and processes. Consideration given to ongoing support. Review corporate systems including HR and Finance in line with scale and scope of the LEP.	4	3	12

Failure to meet BEIS profile and spend all the LGF carried forward by March 20	Loss of funding and reputational damage	Work with local authorities to look at how spend can be maximised and the risk of slippage minimised.	4	3	12
Loss of key staff	Causes continuity issues, loss of knowledge and reduction in delivery capability while new staff and employed and get up to speed. Unable to carry out key tasks. E.g. counter sign payments and contracts.	Have adequate approved delegation limits and signatories. Make sure staff don't operate in a vacuum and that key tasks are understood by at least one other member of staff. E.g. how to use payment systems. Look at developing formal programme to ensure we have ability to cope in short term with loss of member of staff. review and update BCP annually.	3	3	9
Key stakeholders become disengaged	Loss of relationships and potential influence and support for the LEP activities	Review and update stakeholder and comms management plan. Communications committee now established (Marketing Cheshire Board)	3	3	9
Key stakeholders become disengaged	Loss of relationships and potential influence and support for the LEP activities	Review and update stakeholder management plan. Establish a communications committee	3	3	9
Loss of core funding/ Uncertainty about funding from year to year impacts on staff retention.	Staff don't feel secure in their jobs which could lead to a higher than expected staff turnover, loss of expertise and increase in recruitment costs	Look at developing other funding streams and developing an operational surplus to provide a contingency. Funding now confirmed for two years. Build-up EZ reserves to give provide appropriate cushion.	3	3	9

Not delivering programme level outputs	Reputational damage and impact of future awards of funding. Clawback/repayment of grants	Ongoing monitoring and early identification of any slippage. Consider how projects are contracted robustly.	3	3	9
To maintain compliance with the AF time and money needs to be spent on the website.	Failure to do so, risk non-compliance and damage to reputation	Ensure adequate budget is available to make necessary updates and that staff are updating the website as necessary with for instance committee papers.	3	3	9

Programme Risks

RISK SCENARIO		EXISTING CONTROLS / MITIGATION MEASURES	FUTURE RISK RATING		
RISK	IMPACT		IMPACT {1-5}	LIKELIHOOD {1-5}	TOTAL
Unable or delayed in securing funding package from local authorities for the EZ investment programme.	Loss of retained business rate income, stalled developments, reputational risk to the LEP amongst stakeholders. Unable to realise the full potential of the EZ.	Investment prospectus and cashflow submitted to Local authorities. Meetings with s151 officers set up. Benefits of funding EZ clearly articulated to LAs. Fall back position is to cash flow early interventions from GPF.	5	3	15
Crewe Hub - Risk that the funding isn't fully spent due to the delays with the project	Reputational risk. Not achieving the maximum connectivity to the Hub and thereby reducing the economic benefits of the Hub and VfM.	Working closely with CEC, DfT and the rail industry to deliver a scheme which supports the wider economic growth of the region.	5	3	15

Lack of suitable projects that you can utilise the LGF Energy Funding within the timescales/delays to issuing a new call for the fund reduces the ability to spend the funding and impacts profile	Loss of funding and reputational damage	Wait for the LIS to be developed and then look to generate interest from projects which are clearly aligned to the LEP to maximise benefit	4	3	12
Inadequate funding provided to meet initial running costs of Evergreen fund	Unable to secure ERDF funding. Potential loss of funding and reputational damage	Look to reduce costs and look at alternative sources of funding	4	3	12
Not having a quality pipeline of projects and/or lack of finance to develop quality business cases.	Inability to delivery SEP priorities. Reputational Damage. Impacts ability to secure funding to deliver projects e.g. SPF.	LEP to develop funding stream which will catalyse support for development. Work closely with 3 LAs to develop schemes which meet SEP priorities.	4	3	12
Lack of suitable projects and/or appropriate match funding to form ESIF programme pipeline to meet eligible criteria including meeting cross cutting thematic objectives. Final allocations to be made by end of 2019 or unallocated funds will be taken into central Reserve Fund. Lack of partner support to deploy remaining funds and sources of match funding particularly under the European Social Fund.	ESIF programme does not meet its outputs/outcomes which could result in loss of funding for the sub region. Damage to LEP reputation and credibility both locally and nationally as well as with Government which could impact on consideration for future funding rounds i.e. the future prosperity fund. Loss of funding to the Sub Region to support delivery of growth, jobs and businesses in Cheshire and Warrington and delivery of SEP.	Continue to work with partners to develop pipeline. CLG figure for ERDF as of January 19 shows that £10.5m is left to allocate. Two further calls planned for 2019. For ESF there is circa £6m remaining to allocate, funding calls are planned for July and Sept 2019.	4	3	12

<p>Thematic objective 4 (Low Carbon) is not delivered in full (maximum £16.3m programme) This priority is currently the least committed with latest figures showing £4.8m left to allocate. The funding has challenging output targets and evidence requirements.</p>	<p>Potential loss of ERDF funding to the sub region if not all the Low Carbon allocation is not fully spent and ESIF programme does not meet its outputs/outcomes which could result in loss of funding from the sub region. Damage to LEP reputation and credibility both locally and nationally as well as with the EU which could impact on consideration future funding rounds.</p>	<p>- Low Carbon strategy group set up to specifically focus on development and delivery of the Low Carbon thematic objective and to identify suitable projects for delivery of remaining £4.8m budget. - A Low Carbon Action plan has been completed which will help inform the calls this year. - Allocation of £3m to NPIF to finance Low Carbon projects. £4.1m of LGF available which could be used as match against projects. Two further ERDF calls planned for 2019</p>	4	3	12
<p>Out of a total programme of £70m only £27m is currently "Live". There is therefore a risk non delivery, underspend and the quality of the applications under consideration cannot be guaranteed.</p>	<p>Potential loss of ERDF funding to the sub region if all allocation is not fully spent and ESIF programme does not meet its outputs/outcomes which could result in loss of funding from the sub region. Damage to LEP reputation and credibility both locally and nationally as well as with the EU which could impact on consideration future funding rounds.</p>	<p>£33m of applications are currently in assessment stage either full or outline. Carry on working with applicants to develop bids and interest in future funding rounds.</p>	4	3	12
<p>Crewe High Speed Ready Heart fails to spend all the LGF due to delays with the programme</p>	<p>Loss of LGF, Funding gap for the council, reputational damage to the LEP and Council. May impact ability to secure future funding. Impacts the LEP rating</p>	<p>Council looking at options for achieving spend including making stage payments to the developer. Need to look to see if there are other project to spend the LGF on within the council.</p>	4	3	12