



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

Title: Programme Manager Update Report

Agenda item:7

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Date of Report: 19th September 2018

1. Executive Summary

Overall the LGF programme continues to make steady progress. There is a call out for applications to the £4.1m LGF energy fund, with the expectation that some of the energy projects can be contracted before the end of the financial year. This will only leave the 3 projects left in the programme to get conditional approval; Ellesmere Port One Estate, Omega Highways and the Skills money.

Several projects have been delayed which has impacted on profile for the year, but at present it still looks like the LEP will meet the profile figure of £16m.

Bar the accommodation, the Reaseheath projects have all completed and are now in use. The Ellesmere Port and Chester Campus project has also just completed at the end of August. Both schemes have boosted the outputs achieved figures which are beginning to look better as we pass the midway point of the programme. However, many of the job and house outputs will not be achieved until after projects are completed.

There has been a resurgence in interest in the Growing Places Fund and as such there is only £2m left unallocated at this time. We are investigating the potential of developing an £15m Evergreen Fund which will help to meet the demand for funding.

2. LGF Update

2.1. Chester Northgate

Since House of Fraser, the anchor tenant pulled out of the scheme the council has been looking at a number of options on how to proceed. A paper is due to go to the October CWAC Cabinet meeting outlining the plans.

A procurement process for the whole scheme is underway, with a decision on the preferred contractor due in October. The procurement set out phases of work, so whilst it is not yet known how the whole scheme will now be developed out, phase 1 which is predominantly leisure; 3 restaurants, a re-sited market and picture house cinema can go ahead.

There is uncertainty about whether to move the hotel on to the old bus station site and if not, what to do with the site. Options being considered are using it for parking, housing or public realm. The cost to the council to move the hotel is £35m, so unless there is clear demand for the space of the existing hotel there is very little incentive to move it.

The CPO decision has been delayed but is now expected by the middle of September.

The revised scheme is likely to include more housing and more of a leisure focus.

2.2. Sydney Road Bridge

Phase 1 works are due to finish at the end of September.



The implementation agreement with Network Rail (NR) has still not been signed with further issues being raised by NR. The deadline for signing the agreement has been pushed back a further month to the 4th October. This is the absolute latest it can be signed without impacting programme and the possessions that have been booked. However, NR have instructed Murphy's to procure long lead items and have taken this on at risk.

2.3. Crewe Green Roundabout

All lanes are now open around the roundabout but with traffic management. The project is due to complete by early October.

2.4. Warrington Centre Park Link

Land issues are substantially resolved. Work is now likely to start on site in January 19.

2.5. Warrington West Station

Good progress is being made on site. The north car park has been completed and the booking hall structural steelwork and clockwork has also been completed. Trackside work is progressing and being monitored.

A timetable and rail model has been developed by AECOM which is being discussed with the TOC's. Northern Rail is to submit a bid for timetable change early September based on operating three trains per hour.

2.6. Reaseheath College projects

The Employer Hub, Agritech Centre and Sports Hall are now open and being used by students and in the case of the Sports hall, members of the public.

The accommodation blocks are also progressing well and will be complete by December.



2.7. Ellesmere Port Central Development Zone

CWAC are working on their proposals for a One Estate project in Ellesmere Port Town Centre. They will present their proposals to an exceptional Performance and Investment Committee at the beginning of October.

It is understood that the preferred option is a new build on the bus station site for the DWP and CWAC staff with the adjacent large vacant retail unit modernised and refitted for the health services. Details of costs and outputs associated with the revised project are being developed.

2.8. Thornton Energy Demonstrator

No significant change to the demonstrator project. Task force established for the development of the wider Thornton site.

2.9. Ellesmere Port and Chester campus redevelopment

This project has now completed and students are using the new facilities. The impact of the changes will be reviewed in due course.

2.10. Poynton Relief Road

The costs for the scheme have increased by £12m to £50.7m CEC have agreed to underwrite the costs of the scheme.

After a significant delay PRR has an Inquiry booked for November. There was a delay due to the lack of Planning inspectors.

2.11. Life Sciences Fund

The fund continues to invest at a steady pace and has recently made an investment into another business at Alderley Park. Nexus Labs, has developed its first product, SurgicalTeaching.com a digital platform aimed at enhancing the learning experience of students and doctors around the world. Through combining CGI animations, real-life video footage and user performance analytics, Surgical Teaching complements medical school curriculum and helps to prepare students for both their examinations and life as a doctor.

A press release announcing the 25th investment has been issued.

2.12. Crewe High Speed Ready Heart

The signing of the developer agreement has been delayed. CEC are being challenged to bring the cost of the whole scheme down to reduce capital spend. If and how savings could be made is being reviewed along with the impact on the scheme of any reduction.

The market still isn't empty but issues with remaining tenants are almost resolved. The contractor is expected to start on site in October.

There has been some negative press coverage about relocating the British Legion, but it has now been agreed that they will be located within the council buildings.

The heads of terms (HOT) with the cinema operator have been signed and the HOT with the bowling operator have been drafted but no yet signed.

The project is likely to fall behind spend profile this year.

2.13. Unlocking Winsford Industrial Expansion Land

The planning decision has been delayed and the overall programme has been delayed by six months. The reasons given for this have been challenged and we are awaiting an updated project plan. This project is also likely to fall behind its spend profile for the year.

2.14. Warrington East Highways scheme

Work has started on site and is going on time and budget. The project is due to finish in December 19.

2.15. Tarvin Road

A lot of ecological work has been carried out in the last quarter and mitigations measures are now being developed. Land negotiations are underway but in parallel CWAC are seeking approval to proceed with a compulsory purchase order.

2.16. Joint Cheshire and Warrington Sustainable Travel Access Fund

The first of the projects is seeking approval and is subject to a separate paper. CEC have been making some progress with their schemes, one of which requires a small piece of land from Bentley. They have committed to providing a more detailed update at the end of September. An update on the CWAC schemes is awaited.

2.17. Omega Local Highways Scheme.

Traffic modelling and consultation work is continuing, but the scheme is likely to slip overall to tie in with other work on the network in Warrington. The project is not expected to start on site until summer 20. WBC to consider whether the project can start earlier and more in line with the original timeline to reduce the risk of the LGF not being spent on time.

2.18. Whites Academy

Initial approval has been given to Macclesfield College to grant them £25k of LGF towards the costs of developing the Whites Academy. The course will run for one year starting from September 2019 with 40 students expected to be offered apprenticeships. Full approval is sought and is subject to a separate paper.

2.19. Energy Fund

A call for projects has been issued with applications due in at the end of September. There is £4.15m of LGF available and the priorities are:

Priority	Description	Allocation
Priority 1:	Supporting SME resource efficiency The transition to a local carbon economy will affect companies both large and small. Understanding the benefits of adopting energy saving technologies and processes can be a bigger challenge for smaller companies. This priority will seek projects that will deliver targeted support to SMEs in the transition to the low carbon	£1,000,000

	economy by helping to gap fund energy efficiency improvements	
Priority 2:	Smart networks and whole-place energy solutions Maximising the benefits of new low carbon technologies requires consideration of energy on a 'whole system' basis. This priority will seek proposals focussed on supporting development of physical infrastructure linked to 'whole place' energy solutions including smart electricity and heat networks, integrating low carbon transport solutions and energy storage and balancing.	£2,150,000
Priority 3:	Supporting innovation and technology development This priority will support the development of new energy and low carbon technologies and innovations, including potentially piloting and trialling new technologies and processes. It will prioritise support for innovation within the SME base and projects aligned to the Government's 'Clean Growth' Grand Challenge.	£1,000,000
Total		£4,150,000

3. Transport Projects

3.1. A500

The Outline Business Case has now been submitted to DfT. A funding decision is expected in November 18.

3.2. Middlewich Bypass

CWAC have stated that they will need a planning application and won't defer the planning decision to CEC even though only 0.13ha of the scheme is in CWAC. Brine risk remains an issue on the project and indemnities from Network Rail, British Salt and CEC are being considered.

CEC's legal team now engaged to start CPO process.

3.3. Congleton Link Road

Grant offer letter from DfT received and contract awarded. Due to start on site in October.

3.4. Omega Local Highways Scheme.

The consultation period may be pushed back as there is more residential development coming forward and the impact of this needs to be modelled. Currently no concerns about the project development.

4. Growth Hub

The LEP is due to take over the running of the Growth Hub from Blue Orchid at the end of September. The LEP has engaged consultants to manage the handover. Details of the size of the team and where it will operate it from are under discussion, however the first member of staff, the Growth Hub enquiry and lead officer, has now been appointed and will start this month.

5. Growing Places Fund (GPF) Update

5.1. Cheshire Green

The development of Cheshire Green Employment Park is going very well. The sale of a total of 15 acres of plots have already been agreed in principle and due to be signed in due course.

The loan agreement states that £650k of sales have to be agreed before the second part of the loan is released. The first part of the loan is £1.3m of which £1.263m has now been claimed.

An updated valuation has been carried out, valuing the site at over £8m.

5.2. Glasshouse, Alderley Park

A proposal to make a £3.87m investment of Growing Places Funding to Alderley Park Limited (APL) in the Glasshouse scheme has been approved. The scheme will create 148,000 sq ft of new speculative Grade B+ office floorspace and is expected to generate c.£792k per annum in retained business rates, providing a payback period of 4.8 years and potentially generating up to £17.4m in retained business rates over the remaining lifetime of the Enterprise Zone.

5.3. Further GPF applications

- Funding for sub-station still being progressed.
- A major manufacturer in the region is also considering making a loan application to fund some energy saving projects.

6. Finance

The amount of LGF defrayed in q1 was £3.44m which was higher than expected due to the Ellesmere Port Campus project incurring costs a little earlier than expected. We expect the q2 total figure to be approximately £2.5m. The profile for the year is £16m which we're currently profiling £21.4m (down from £23m), so there is plenty of contingency should there be further slippage on projects. Ideally, we don't want to spend much above profile this year due to the limited funding the LEP will be paid by BEIS next year.

Projects are only claiming in line with the intervention rate this year, to give the LEP greater flexibility to deal with cash flow issues next year. If by the end of q3 it looks like we may fall behind profile we can ask some projects to claim a higher percentage of costs as long as it keeps them within the agreed grant amount.

7. Outputs

There only significant change to the outputs since the last report is the inclusion of the new commercial and renovated space achieved at Reaseheath College.

Outputs	BEIS Target	Contracted on projects	Achieved to date	Percentage achieved
New Commercial Floorspace (sqm)		175,772	10,788	6%
Renovated Commercial Floorspace (sqm)		3671	3671	100%
Businesses receiving investment		29	11	38%
Jobs created	12000	24,464	77	0%
Private sector Leverage	280	283	14	5%
Public Sector Leverage		89	62	70%
New homes completed	5000	12,184	2,569	21%
New home starts		8,242	0	0%
GVA		20	3.91	20%
Space occupied at Alderley Park (sqft)		18580	1077	6%
Total amount of new road (meters)		481	481	100%
Total amount of road resurfaced (meters)		2120	2120	100%
Constructions jobs		621	10	2%
Learners benefitting		471	25	5%

We're still waiting from clarification from BEIS about impact sites and what can be counted.

8. Risks

The top operational and programme risks are shown below.

Operational Risks

RISK REF	RISK SCENARIO		FUTURE CONTROLS / MITIGATION MEASURES	Residual risk rating		
	RISK	IMPACT		IMPACT {1-5}	LIKELIHOOD {1-5}	TOTAL
20	Current political landscape and lack of clear support for LEPs from opposition creates risks to delivery of economic development projects in Cheshire and Warrington. May take significant time to transfer delivery to another body.	LEP potentially would have to be wound up and delivery of projects and realisation of benefits could be delayed.	Promote the LEP achievements and its effectiveness at delivering regeneration.	5	3	15
48	Criticism of credit card transactions	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

36	Not complying with the General Data Protection regulation	Could lead to legal action against the LEP by not conforming.	Review current data held and update how information is held so compliant. Appoint a data controller. Ask a consultant to come in and review what info the LEP holds and make recommendations for how the LEP manages info. Look at introducing a CRM system so that data is held in one place and easier to manage. Ensure GDPR is taken into account when designing /specifying the new CRM system.	4	3	12
61	Consultants or sub-contractors not managing/protecting LEP information appropriately and or inline with GDPR.	Could leave the LEP open to legal challenge	Issue T&Cs to all consultants and contractors and make sure they cover the protection of information.	4	3	12
34	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 the claims system (LOGASNET) or payment systems. Look at developing formal programme to ensure we have ability to cope in short term with loss of member of staff.	3	3	9

38	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
29	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
27	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
40	Lack of comprehensive suite of policies leaves the LEP exposed to criticism e.g. data protection, consumption and purchase of alcohol at work, Internet use, remote working etc.	Could lead to a claim against the LEP	Employ of HR consultant to review our policies and procedures annually. Use the Best Practice templates provided by DCLG	3	3	9
53	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

55	Number of new staff within the LEP increases the likelihood of HR issues arising	Lack of HR support makes the LEP vulnerable if issues arise	Procure HR support and make sure all necessary policies are in place and up to date	3	3	9
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RISK REF	RISK SCENARIO		FUTURE CONTROLS / MITIGATION MEASURES	FUTURE RISK RATING		
	RISK	IMPACT		IMPACT {1-5}	LIKELIHOOD {1-5}	TOTAL
1	Delivery of the projects to meet financial and output targets in a timely manner	<p>Projects and/or programme does not deliver cost or quality requirements on time and fails to achieve the targeted outputs and outcomes within the Growth Deal timeframe.</p> <p>Potential to damage relationships with the LEP.</p> <p>Reputation of the LEP as able to deliver bids submitted to Government is negatively affected.</p> <p>DCLG could potentially take back flexibilities given to manage the LGF Programme.</p> <p>Could affect the award of future funding to the LEP.</p>	Look at revising the offer letter to put stiffer penalties in place for non achievement of outputs.	4	3	12
3	Lack of suitable projects and/or appropriate match funding to form ESIF programme pipeline to meet eligible criteria including meeting cross cutting thematic objectives and revised Treasury deadline of March 2018 for final project submissions. Flexibility or delay in decisions to use of LGF3 as match. Lack of partner support to deploy remaining funds and sources of match funding particularly under the European Social Fund.	<p>ESIF programme does not meet its outputs/outcomes which could result in loss of funding for the sub region.</p> <p>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.</p> <p>Loss of funding to the Sub Region to support delivery of growth, jobs and businesses in Cheshire and Warrington and delivery of SEP.</p>	Consider more long term staffing arrangements.	4	3	12

2	Overall programme performance impacted by poor performance of the Major transport Projects	LGF programme does not realise its economic growth targets due to nature of focus of Department of Transport objectives versus LGF outputs/outcomes. Achievement of the aims and objectives of the programme adversely affected by any significant issue or risk in any one of the projects. Reputation of CWLEP to deliver is adversely affected due to the scale of the transport scheme projects.	<ul style="list-style-type: none"> - Agreement with DfT and grant recipients on monitoring and reporting requirements against LGF targets. - Work with DfT to understand the funding conditions and any conditions/clawback if the non-transport outputs are not achieved. - Explore to tie in stronger penalties to non-achievement of outputs to the funding offer. 	4	3	12
	Rail sequencing work - people disagree with the proposed sequencing of delivery. May be difficult to get political consensus.	reputational risk and loss of opportunity to secure govt. funding		4	3	12
	transfer of legal agreements to the LEP may expose the LEP to compliance and eligibility issues which could have financial implications.	Financial and reputational damage to the LEP.		4	3	12

5	<p>ESIF spend targets, additional funds secured through exchange rate changes and measurement criteria for C&W, set by Government to meet the National targets, pose a challenge in some of the priority axis to deliver against which puts at risk the achievement of overall LEP ESIF targets and aspirations and could put at risk the 6% performance programme target.</p>	<p>Agreed targets may not be delivered and the ESIF and SEP targets not delivered in full.</p> <p>If by December 2018, the LEP is not forecasting to achieve its targets by the end of the programme, it risks losing a performance reserve of 6% of the programme (approx. £3.6m)</p> <p>Reputational damage if the LEP does not meet its targets.</p>	<ul style="list-style-type: none"> - Work Northern Powerhouse Investment Fund (NPIF) to explore achievement of additional programme outputs and outcomes and ongoing sustainable reinvestment of EU funds post Brexit. - Possible increase in fund allocation of funds e.g. rural funding. - Work with Government on any early end of programme targets in view of Brexit. <p>Increased output targets for projects required if investments made in Evergreen. New Calls to specifically focus on additional out put requirements in key areas (e.g. grants to business).</p>	3	3	9
7	<p>Failure to implement the seven recommendations of the ABR Review of FE has a detrimental effect on the delivery of FE skills provision across Cheshire and Warrington..</p>	<p>The benefits to employers, learners, the colleges and the economy more generally will not be achieved.</p>	<p>The Strategic Forum will work to achieve the political buy-in to the implementation</p>	3	3	9
31	<p>Ellesmere Port Estate project significantly delayed and or reduced in scale</p>	<p>Would need to find another project to take up spend, which will get increasingly harder as time passes.</p>	<p>Exceptional P&I meeting to be held at the beginning of October to consider proposals. If the revised project put forward is not appropriate or ready for approval then the funding will be de-committed from the project and new projects will need to be found.</p>	3	3	9

33	Fragility of current government means that there is a risk the government could change and lead to a change in policy regarding LEPs.	Change in funding and support for LEPs	Continue to promote the work of the LEP and engage counsellors and MPs from all parties.	3	3	9
34	Due to the unusual investment profile of the LGF programme there may be cashflow issues in 19/20 meaning that the LEP cannot pay all the claims.	There is reputational risk with underperforming which could reduce funding available to the LEP in future years. The lack of cash flow in 19/20 again will affect reputation with stakeholders and is difficult to manage once projects are on site as the LEP has to achieve £16m of spent in 18/19. The LEP can't stop and start projects.	May need to agree staggering payment profile with LAs.	3	3	9
35	Northgate isn't delivered to the size and scale anticipated when the bus station scheme was approved or within the timescales given.	Loss of outputs and potential reputational damage. Would affect the overall impact of the LGF programme. Chester City continues to lose trade impacting the businesses that already exist there.	Offer to provide additional support to the delivery of the project?	3	3	9
36	Middlewich rail study isn't supported or doesn't meet expectations.	Reputational damage, potential loss of opportunity to secure govt. funding. Doesn't support the SEP or doesn't take account of cross boundary issues.	na	3	3	9

	Middlewich study raises expectations of delivery which will need funding.	Potential rail and infrastructure improvements are not delivered in a timeframe that meets people's expectations. Reputational impact, accusations of waste of money for study to be completed if no capital available.	na	3	3	9
37	Failure to deliver a HS2 station at Manchester Airport will constrain access to the airport and restrict its growth potential.	inhibits our ability to deliver the SEP through insufficient connectivity of the airport.		3	3	9
38	Uncertainty about number of staff to be TUPE'd which in turn leads to uncertainty about number of staff to be recruited and therefore continuity and timing issues. Also uncertainty about costs at this stage.	Inability to deliver, reputational damage. Could underspend against BEIS contract.		3	3	9

Programme Risks