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##### Cheshire & Warrington Local Enterprise Partnership

**Performance and Investment Committee**

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| **Title: Programme Manager Update Report**  | **Agenda item:6** |
| **Prepared by: Rachel Brosnahan** | **Date of Report: 16th May 2018** |

1. **Executive Summary**

Overall the LGF programme is performing very well. We have now spent over £70m of LGF in total over the last three years and have £84m to spend over the next three years.

The BEIS LGF profile for 18/19 is £16m. We expect to spend £20m+- £2m this year. The additional funding will come from funding carried forward from previous years.

The outputs contracted look like they will comfortably exceed those expected from BEIS and show the value of the LGF schemes.

The delivery risk across the programme is diminishing as more projects move into the delivery phase and actually start on site. With the exception of the Energy, Skills and Sustainable travel programmes, there are only two projects in the LGF portfolio left to contract, which is a strong position to be in.

There is continued interest in the Growing Places Fund (GPF), with two applications currently under development. The only live loan we currently have is performing in line with expectation.

1. **Local Growth Fund update**
	1. **Sydney Road Bridge**

The final business case has been received and final grant approval is sought which is covered in a separate paper.

Work to establish the site compound has now started and work to divert the electricity cable will start in the next few weeks.

* 1. **Crewe Green Roundabout**

The project is going well, with some traffic management now lifted and easing traffic congestion. Phase 3 works will start on the 17th July and will open up the scheme on the North side. The scheme still on track to finish in November.

* 1. **Warrington Centre Park Link**

Land issues remain unresolved but negotiations are progressing with the two land owners. The Compulsory Purchase Order is the fall-back position and will need to be used for the unregistered rights.

Due to the delays with resolving the land ownership issues, we don’t expect the final business case to be submitted until October.

The conditional offer letter has expired. **The P&I are requested to extend the deadline for meeting the conditions of the offer letter until December 2018.**

* 1. **Warrington West Station**

The project continues to have some issues with getting the necessary approvals and blockades from Network rail to carry out the track side and bridge works.

Great progress has been made with levelling the site for the car park and starting work on the foundations for the station building. However, due to the delays with the project, further work on the station building, may be pushed back to align the completion with the track side works, otherwise there will be additional costs associated with securing the completed building until the rest of the scheme is complete and the risk of damage in the intervening period.

* 1. **M62 j8**

The project is due to complete week commencing 14th May and under budget which is a great credit to the team at the Council and Balfour Beatty. A small event to celebrate the completion of the project will be organised for June.

* 1. **Reaseheath College projects**

All but the accommodation blocks are nearing completion. The sports hall and Agri-tech building are running six weeks behind, partly due to the weather and partly due to the window contractor going into administration. However, overall excellent progress is being made with all the schemes. All facilities will be fully operational and used by students in September apart from two of the accommodation blocks which will be complete by Christmas.

* 1. **Ellesmere Port Central Development Zone**

The Outline business case has been completed has been independently appraised. A report is due to be submitted to the June P&I meeting.

* 1. **Thornton Energy Demonstrator**

The LEP has been working with a company that is interested in locating a pilot carbon fibre recycling facility at Thornton. No further update on interest in the energy demonstrator.

* 1. **Ellesmere Port and Chester campus redevelopment**

Willmott Dixon will start delivery of the main works next month, which will involve moving equipment between the Ellesmere Port and Chester Campuses, and reconfiguration of the classrooms.

* 1. **Poynton Relief Road**

The Council is progressing the legal agreement with the golf centre. CPO notices have been served. Work is continuing on resolving objections and preparing for public inquiry anticipated for June 2019. Updating the business case is ongoing.

* 1. **Life Sciences Fund**

The Life sciences fund is continuing to invest at a steady rate. It is pleasing to see enquiries at the lower end of the investment scale. There are three businesses with investment committee approval which are a mix of sizes, including one of £100k. The fund expects to invest £7m this year and is working towards the revised outputs put forward in their business plan.

* 1. **Crewe High Speed Ready Heart**

Work to relocate the market traders is ongoing. Some traders are refusing to move at present, three traders have signed leases for the market sheds. Work on the market Hall is expected to start in August.

Public consultation regarding the redevelopment of the Royal Arcade will take place over summer. Still on track to submit planning application in September.

* 1. **Unlocking Winsford Industrial Expansion Land**

The unconditional sale of land to Tiger Trailers completed at the beginning of April. Early enabling works and Scottish Power diversionary works have started on site.

Pre application discussions have been held regard the developing out of the rest of the site. June planning committee is being targeted.

There is some interest in plots already, with Legat Owen engaged to act on behalf of PSP. CWAC may also take some incubator space on the site.

* 1. **Warrington East Highways scheme**

Work is due to start on site in July for 18 months. Significant delays are expected in the area. Five lots of public engagement are starting next week to help inform local residents of the likely impacts and alternative routes and options. Phase 3 of the scheme will go ahead with external funding.

* 1. **Tarvin Road**

Offer letter has been issued. Now awaiting updated final business case.

* 1. **Joint Cheshire and Warrington Sustainable Travel Access Fund**

The local Transport Board has approved the proposed split of funding by project. The LEP board will also need to review and approved the proposed split before the first of the business cases can be considered by P&I.

* 1. **Omega Local Highways Scheme.**

Work is continuing on developing the options for the scheme. A workshop has been arranged for the 1st June to work through the four options. There will then be public consultation September to October with a view to submitting the Outline Business Case in February 19.

1. **Transport Projects**
	1. **A500**

The Scheme Cost Estimate updated and the Drainage Strategy finalised with comments from EA or CEC. During the next month work is going to continue on the planning applications and business case development.

Some issues with gaining access to land to carry out surveys and issue over level of protection for oil line still unresolved.

Part of the scheme will fall within in Newcastle under Lyme planning area so may be subject to a seperate/dual planning application. Estimated cost remains at £57m.

* 1. **Middlewich Bypass**

Design work continuing with a view to submitting a planning application in June 18.

* 1. **Congleton Link Road**

Work is continuing on reviewing the tender submission with a view to issuing the award notice in June. The business case is due to be submitted to DfT in June. There will be a presentation at the May meeting.

1. **Growing Places Fund (GPF) Update**
	1. **Cheshire Green**

Excellent progress continues to be made on the Cheshire Green Employment site. A third of the loan has now been drawn.

* 1. **Further applications**

Heads of terms have been drawn up for the sub-station project. Approval of the loan is likely to be sought from P&I in June.

An application from Bruntwood for grant funding towards the cost of a new build has been received and is under consideration. A paper providing details of the proposed contribution of GPF to the scheme will be presented at the June meeting.

1. **Finance**

The total amount spent in 17/18 was £18.454m, bringing the total amount of LGF spent to date to £71.4m. Match funding of over £42m has been achieved, brining the total value of projects to over £110m BEIS have now paid the LEP the £16m LGF to spend this year. The estimated spend on projects this year is expected to be £20m +- £2m.

1. **Outputs**

BEIS are still waiting for clarification of what impact sites can be counted on LGF projects. If we are allowed to count the Omega Site outputs for the M62 j8 scheme, the jobs create, private sector leverage and commercial floorspace outputs achieved will increase significantly

The outputs achieved to date and contracted are:

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| --- | --- | --- | --- | --- |
|  |  |  |  |  |
| **Outputs** | **BEIS Target** | **Contracted on projects** | **Achieved to date** |  **Percentage achieved**  |
| New Commercial Floorspace (sqm) |   | 184,272 | 6,913 | 4% |
| Renovated Commercial Floorspace (sqm) |   | 3671 | 3367 | 92% |
| Businesses receiving investment |   | 29 | 11 | 38% |
| Jobs created | 12000 | 24,464 | 77 | 0% |
| Private sector Leverage | 280 | 284 | 14 | 5% |
| Public Sector Leverage |   | 55 | 28 | 50% |
| New homes completed | 5000 | 11,584 | 2,217 | 19% |
| New home starts |   | 8,242 | 0 | 0% |
| GVA |   | 20 | 3.91 | 20% |
| Space occupied at Alderley Park (sqft) |   | 18580 | 1077 | 6% |
| Learners benefitting |   | 471 | 49 | 10% |

1. **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. CEC to come in and review what info the LEP holds and make recommendations for how the LEP manages info. | 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 |

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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** are adversely affected by changes to factors such as partner staffing resources, capacity or skills, planning or environmental issues, construction related factors, or financial issues, which could result in delays to projects and/or the programme success given the sensitivity of the programme on a small number of key projects. | 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.Potential to damage relationships with the LEP. Reputation of the LEP as able to deliver bids submitted to Government is negatively affected.DCLG could potentially take back flexibilities given to manage the LGF Programme.Could affect the award of future funding to the LEP. | Look at revising the offer letter to put stiffer penalties in place for non-achievement of outputs. | 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. | - 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 |
| 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. | 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. | Consider more long term staffing arrangements. | 4 | 3 | 12 |
| 7 | 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.. | The benefits to employers, learners, the colleges and the economy more generally will not be achieved. | The Strategic Forum will work to achieve the political buy-in to the implementation | 3 | 3 | 9 |
| 31 | Ellesmere Port Estate project significantly delayed and or reduced in scale | Would need to find another project to take up spend, which will get increasingly harder as time passes. | Potentially need to find new "off the shelf" project that could achieve spend and necessary outputs within LGF timescales | 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 the programme may underperform in 17/18 and then over perform in 19/20 leading to cash flow issues. | There is reputational risk with underperforming this year which could reduce funding available to us in future years. The lack of cash flow in future years again will affect reputation with stakeholders and is difficult to manage once projects are on site. | May need to agree staggering payment profile with LAs. | 3 | 3 | 9 |
| 5 | **ESIF targets and measurement criteria for C&W, set by Government to meet the National targets, pose a challenge in some of the priority axes 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. | Agreed targets may not be delivered and the ESIF and SEP targets not delivered in full. 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)Reputational damage if the LEP does not meet its targets. | - 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. 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). | 3 | 3 | 9 |
|   | 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 |