

STOKE ON TRENT & STAFFORDSHIRE**LOCAL ENTERPRISE PARTNERSHIP****EXECUTIVE BOARD MEETING****21 NOVEMBER 2019****Update on High Risk Schemes: City East Link Road; Etruria Valley****1. General Background**

1.1 Stoke & Staffordshire projects funded through LEP Growth Deal (Local Growth Funds/LGF) must draw down all allocated LGF funding by a deadline of 31 March 2021 or the funding will be lost to this area. Ideally, projects will complete well in advance of that date and outputs attributable to the project (principally new Jobs and Homes) will be in place. Delays can be common in major capital schemes and Project Promoters work closely with LEP Programme Managers in mitigating risks.

1.2 Where there is a significant risk of being unable to achieve full expenditure by deadline, the LEP Board must consider all options available in ensuring full spend, including withdrawal of funding and reallocation to another scheme that can be delivered by deadline. At the September Board meeting, it was noted that a contingency plan was in place for the reallocation of up to £10m (against SSLEP's i54 Extension currently in delivery), should this be necessary and discussions took place on other potential actions to reallocated any further underspend.

1.3 The Programme Assurance Group and Board have raised concerns over 3 Growth Deal projects which have been subject to significant delays, ultimately raising concerns over their ability to deliver in time. Notices were sent to three lagging projects asking for submission of all evidence relating to their ability to deliver by deadline. The first of these (Stoke City Centre Access Programme, already in delivery) was considered at the 17 October Board meeting. Board Directors determined that evidence submitted was sufficient in providing reassurance that LGF funding would be expended by deadline. This paper relates to the other two lagging projects, as follows:

- City Link East Road (provisional LGF allocation £8.58m)
- Etruria Valley (provisional LGF allocation £8.2m)

The Project Promoters will be available at the meeting to provide a brief update on the schemes and to answer any questions prior to withdrawing for the Board discussion on this item.

2. City East Link Road (CELR)

2.1 The business case for the CELR project (originally known as the Hanley-Bentilee Link scheme) was submitted for appraisal in November 2018. The Programme Assurance Group requested a revised business case which could demonstrate:

- Specific programme detail giving confidence that the scheme could deliver within the funding timescale
- A direct link between highway interventions and land released for development

- The time scale for confirming the Dept for Transport (DfT) match funding
- Good value for money for the investment requested.

This recommended approach was endorsed by the Strategic Programme Management Group on 29 January 2019, when Stoke on Trent City Council provided a full project update.

- 2.2 A revised webTag compliant Strategic Outline Business Case for the full £86m CELR scheme was submitted at the start of August 2019. A review of documentation led the SSLEP Independent Technical Appraiser (ITA) to advise that the information provided was insufficient to undertake a detailed appraisal of the SSLEP funded elements, in line with the SSLEP Assurance Framework requirements. The timetable for confirmation of DfT funding through a full business case was noted to be April 2023.
- 2.3 The ITA met with the project promoter's consultants on 7 October 2019 to determine whether sufficient detailed information could be brought together for the appraisal of the potential LGF funded elements of the scheme as a standalone project that could deliver by deadline with attributable outputs i.e. a project independent of the wider scheme which will be delivered after the LGF deadline. Information was submitted and the detailed independent appraisal of that standalone project is attached as Appendix A of this report.
- 2.4 The independent appraisal concludes that, based upon the transport benefits alone, the standalone scheme is considered to be suitable for funding and to provide good value for money. These benefits include improved journey times, reduced congestion and improved air quality and may be considered by Board Members to be important outcomes that they would wish to support.
- 2.5 Clarification questions did not enable the ITA to evidence a direct link between jobs and homes outputs and the transport improvement works however 185 claimable homes have been identified as being delivered within our timeframe with potential for further 463 post 2025. It is not possible to entirely disregard the wider project which would bring wider benefits, including jobs and homes. At this point, however, the DfT funding for the work associated with these wider benefits is not in place and will not be confirmed within LGF timeframe.

Recommendation: That Board Members consider content of the independent appraisal and agree whether they wish to approve the requested LGF funding based upon the transport benefits of the scheme and 185 homes.

3. Etruria Valley

- 3.1 The Etruria Valley project is a Dept for Transport retained scheme and DfT is undertaking full business case appraisal and assurance on the scheme which is seeking to secure DfT funding of £18.5m. The Board has provisionally allocated LGF project funding of £8.2m as part of the SSLEP Growth Deal 1 programme and also provided a Growing Places Grant of £2.4m towards the scheme. Submission of the full business case to DfT has been subject to significant slippage. A detailed Project Update at 20th June 2019 Board meeting noted that slippage issues (due to outstanding responses from key consultees) were resolved. Robust risk management was in place, including steps relating to:
- The 'open book' basis of the procurement with a rail competent contractor, including firm detail, fixed price in the contracts programme. Target Price back on 3 August.
 - Draft Heads of Terms in place with 3 of the 4 land owners, with no compulsory purchase requirement.

- Detailed programme of coordination of delivery activity under development, with out-of-hours working featuring heavily, in view of the busy nature of the major transport routes being crossed.
- DfT business case submission by end September 2019 (*further delayed, update in Appendix report*), with continuous liaison with DfT in development of the business cases. Three of the 5 cases having already been completed to DfT satisfaction. Economic & Financial business case completion was outstanding as it required the pricing detail.

The Project Promoter agreed to provide regular progress updates to the LEP Secretariat including: i) confirmation of case submission to DfT; any feedback from DfT on outstanding business case matters, as this emerges and any issues arising; and ii) to bring an update back to this meeting for consideration. Appendix A sets out the project promoter's latest update.

Recommendation: That Board Members consider and determine whether submitted evidence provides sufficient comfort that full LGF funding defrayal is possible by the deadline of 31 March 2021

Recommendation: In the event that evidence of full defrayal by deadline is considered to be insufficient, that Board Members consider and determine whether funding should be withdrawn from the scheme.

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