

Cheshire & Warrington Local Enterprise Partnership
Performance and Investment Committee

Title: Programme Manager Update Report

Agenda item:

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Date of Report: November 21

1. Executive Summary

The primary risks to programme delivery continue to stem from supply chain and infrastructure construction related risks. Lead times have extended significantly and with high variance, with some lead times referencing a potential ten-week window of delivery.

This has implications for those projects within LGF which are still to complete or deliver infrastructure outcomes and more significantly for the ongoing infrastructure projects funded by the Getting Building Fund, particularly the Warrington Bus Depot scheme and MDC lab, who are yet to fully drawdown their GBF funding for this financial year.

There are also some understandable delays with the outputs from the Skills LGF projects due to the continuation of virtual and distance-based learning, which has to date limited access to the new specialist equipment.

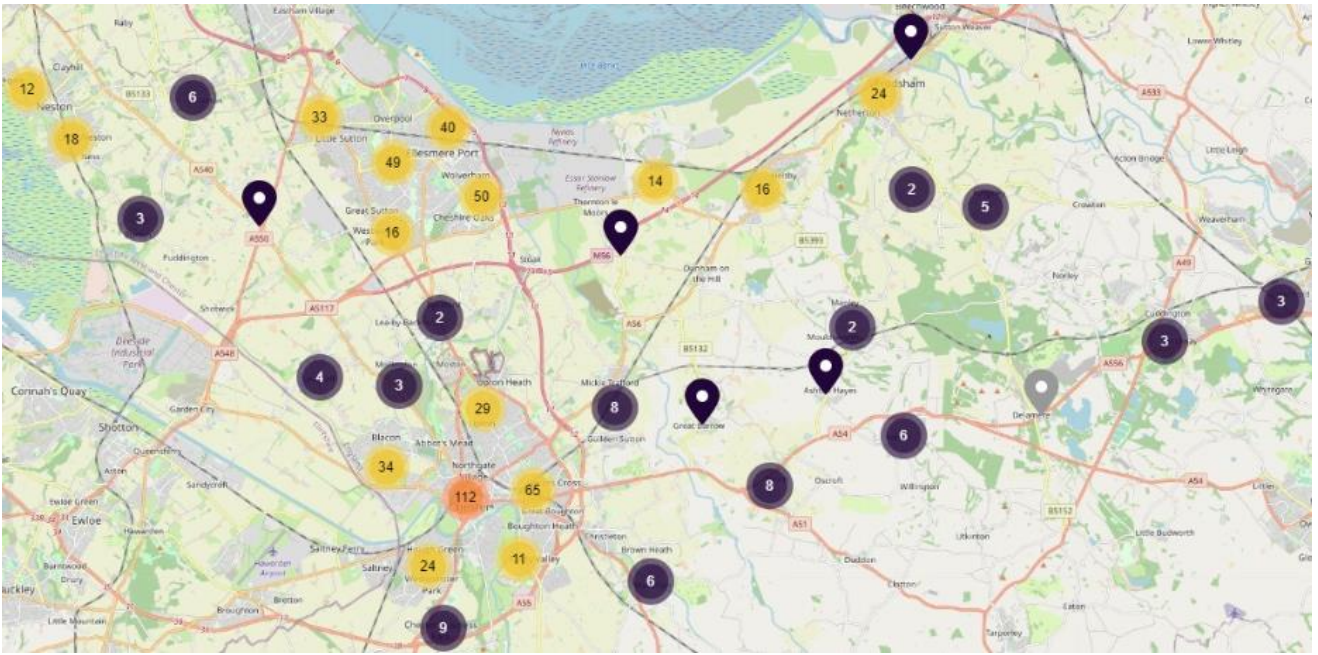
2. Local Growth Fund

Majority of ongoing LGF projects have moved to quarterly reporting rather than monthly reporting. Below is a selection of projects that have moved to a new phase within their project timeline.

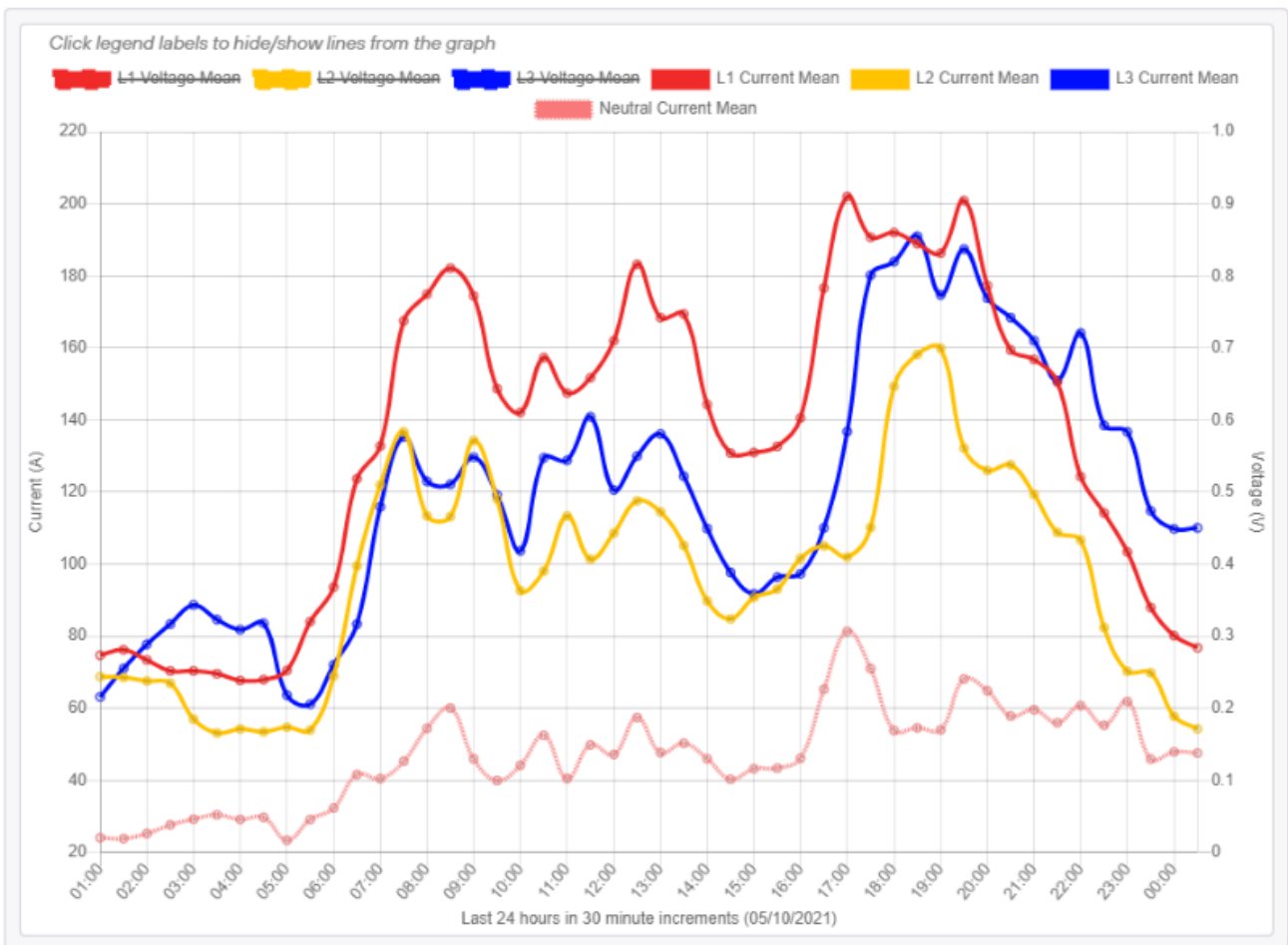
2.1. Delivering Network Visibility

All 673 VisNet units have now been installed and commissioned and are now reporting data to EA Technology and is available via the Net Zero Cheshire website¹. Data sharing elements are restricted to a few locations due to GDPR data security requirements associated with locations with low numbers of connected customers. Since the website launched there have been 1,436 visits, with 896 unique Ips. The project will now move to develop a local flexibility assessment and investigate ways to utilise the data to inform and improve large scale network models, as well as continue to promote the tool.

¹ <https://netzerocheshire.eatechnology.com/delivering-network-visibility/>



(fig 1. Top level map of all units installed)



(fig 2. Energy usage at a selected substation, delayed by 24 hours)

2.2. Poynton Relief Road

There have been a few weeks slippage due to utilities moves, however the remaining risks to timings relate to:

- Agreement with Stockport Council, regarding the Chester road entry to the A555 gyratory. A report has been produced by Arcadis to address this issue, however Stockport Council are seeking 8 weeks for a formal response.
- Agreement, fencing and access by neighbouring landowners

Though neither of these risks currently impact the critical path, there is potential that these risks could escalate and become significant threats to the scheme completing on time.



(fig 3. Current on site progress for PRR project)

2.3. Skills Capital

The table below summarises the outputs from all the projects to the end of October 2021, with good progress in several categories.

| Key: | Learners Benefiting | Learners Benefiting Leading to a Qualification | Online Engagements | Businesses Benefiting | Schools and Colleges Benefiting | Jobs Connected | New Learning Space m ² | Employers' Skills and Education Board Sponsor |
|---|---------------------|--|--------------------|-----------------------|---------------------------------|----------------|-----------------------------------|---|
| Blue highlight - progress has been made since update on 20 October 2021 | | | | | | | | |
| Grey highlight - monthly report received for October 2021 - not all projects are expected to report monthly | | | | | | | | |
| Green highlight - outputs recorded | | | | | | | | |
| Combined Profile to 31/10/2021 | 24,502 | 753 | 323,036 | 204 | 308 | 46 | 1,511 | |
| Combiined Profile to 30/09/2021 | 24,264 | 568 | 318,049 | 138 | 267 | 42 | 1,511 | |
| Combined Target for 5 Years | 84,287 | | | 3,681 | | 805 | 2,063 | |

Highlights

- Collaborative work: partners of the Advanced Construction Training project supported each other to resolve common issues in delivering digital construction skills, including technical challenges setting up equipment.
- Business and school engagement: on the 12th-14th October, as part of their Technology showcase, AstraZeneca engaged with 3 schools, 480 students and 18 businesses in addition to running a collaborative exercise with all the Local Growth Fund Projects.
- Digital careers workshops: Cheshire College South and West's Digital Hub project delivered digital workshops to 180 year 10 pupils from the Bishops' Blue Coat Church of England High School. The workshops demonstrated the use of technology demonstrated the versatile use of technology and extensive range of career pathways in a number of industries, including construction, engineering, media and games, science, sport and media make-up.

Challenges

- Community venues: The Stream project has reported that community venues are slow to reopen, with some venues, which were regularly used by Warrington Vale Royal College as training centres, advising it will be January 2022 before they begin to gradually open for delivery.
- Outcomes: The University of Chester High Performance Cloud project is reviewing outputs as the project was linked with the Accelerate outputs, which have been reduced.

3. Getting Building Fund

3.1. Chester Drainage Tunnel

The overall project cost has risen from £7.9M to £9.0M. The additional cost will be solely picked up by the local authority and is the result of contractor tender price. Entire scheme still on schedule for March 2022.

3.2. Bus Depot

Contract award expected to be effective 1st November, with start on site anticipated December 2021. In order to mitigate the supply chain and material costs WBC are working with the contractor to explore alternative sourcing, reprogramming of works, early delivery of critical components. In addition, there is a contract amendment incorporated for a protocol for valuation of any cost changes, with a full open book visibility of tender breakdown and any claims for price increases. WBC all electric bus project was approved as part of the Spending Review giving further impetus to this project.

3.3. Validation Centre of Excellence

The main contractor has been appointment and 15 separate procurements are being undertaken, the timelines of which are being established. LEP will look to update the board regarding the procurement timelines at the next P&I board, in order to ascertain the knock-on risks against expenditure of the full grant amount this financial year.

4. Growing Places Fund

4.1. Cheshire Green

Cheshire Green still confident that they are able to repay by September 2022. LEP will monitor pipeline of plot sales between now and September, to ensure the likelihood of risk of late repayment is closely monitored.

4.2. Blue Orchid

~£400k identified for repayment to LEP (unutilised Covid adaptation grant).

4.3. Business Case Fund

Offer letters have now been issued for the development of business cases and the feasibility studies.

4.4. Available Resources

After grant awards have been accounted for, GPF has a working fund of £9.3M, some of which is deployed. We have several potential projects at early stage of development.

5. C&W Development Fund (CBRE managed £20M fund)

5.1. Winsford Artis Park

Funding of 13 speculative small industrial / logistics units with ancillary retail. Strong lettings and moving into phase 2. Further drawdown of funds continued in November.

5.2. Protos

Funding an infrastructure loan to unlock 75 acres of Resource Recovery Park. Continuing to drawdown, with £1.6m approved this month.

6. Corporate Risk

6.1. Risk Closures

6.1.1. Risk Ref 4 | Operational | LEP's response to COVID

Considered that the period in which the LEP would be challenged for its response to COVID has now passed, and therefore the reputational damage and potential impact on future funding is no longer applicable.

6.1.2. Risk Ref 14 | Reputational | Criticism of effectiveness of LEP in responding to crisis

The crisis management phase of the pandemic is considered to have ended, as the pandemic moves into a maintenance phase. In addition, the risk of excess demand for new initiatives has now closed.

6.2. Risk Score Changes

6.2.1. Risk Ref 6 | Operational | Resources of LEP and ability to respond to business closures or opportunities

The residual impact of the risk has been changed from 5 (catastrophic risk) to 3 (moderate risk). The landscape of likely business opportunities and closures has stabilised, and the significant uncertainty posed by the pandemic for businesses has reduced. In addition, with resources within the LEP being moved from Marketing Cheshire to the Growth Hub to support businesses, the risk to the amount of intelligence the LEP can gather, and the onward support is further reduced.

6.3. Potential New Risk Areas for Discussion

A full review of the corporate risk register is planned for the coming months, with a particular emphasis on ensuring the corporate risk register focuses on the core reputational and strategic risks and less on the operational risks. We welcome opinions from the board on the following proposed risks to be added to the register, and seek:

- Agreement to these posing risks to the LEP;
- Agreement to these being monitored in the corporate risk register;
- View on impact and likelihood

6.3.1. Levelling up white paper and delivery plan

There is uncertainty on both the content and timing of the Levelling Up White Paper, and this poses a risk to the LEP's ability to prepare a coherent delivery plan for the upcoming year. Officers could either:

- prepare a delivery plan in the absence of the White Paper, which may therefore require significant future re-work, and therefore the posed risk would be wasted resources in drafting and debating a delivery plan that is not adopted, at least not in full;
- wait to produce the delivery plan until the White Paper has been published, posing a risk for the LEP's ability to produce a quality and approved delivery before the end of the financial year.

6.3.2. (Absence of) Metrics and KPIs connected to our future delivery plans and vision

There is uncertainty, in the absence of metrics and KPIs, as to whether the LEP is on track to delivery its vision and recovery plan, with subsequent potential impacts on the LEPs reputation. However, it should be noted if the LEP confirms metrics and KPIs against its vision and future delivery plans new risks would result:

- whether the specific measures selected are correct, leading to potential challenge;
- the LEP would monitor progression against the vision and delivery plans without the delivery mechanisms to effect significant change.

6.3.3. Single points of failure (SPOFs)

There are multiple areas of single points of failure within the LEP, and therefore there is poor resilience within the organisation, particularly if the SPOFs resulted from something other than resignation (i.e. maternity/sickness). This would therefore produce (short-term) impacts to loss of knowledge, relationships, processes etc. and would put additional strain on other employees.

6.3.4. Relationship with the three local authorities

Notably we believe that this risk would be very low, however as the LEP serves a geography spanning three local authorities there is an inherent risk that may have value in monitoring regarding the relationship of the LEP with the three different local authorities. In particular, there is the probability for the following to vary between each local authority:

- Agreement of the priorities of the area
- Level of engagement

6.4. Top 4 Corporate Risks (all risks with residual combined risk Score >10)

| CATEGORY | RISK SCENARIO | | FUTURE CONTROLS / MITIGATION MEASURES | | Residual risk rating | | | Direction of travel |
|-------------|--|--|--|---|----------------------|------------------|-------|---------------------|
| | RISK | IMPACT | Mitigation | Planned actions | IMPACT {1-5} | LIKELIHOOD {1-5} | TOTAL | |
| Financial | EZ receipts received not in line with forecasts | Unable to undertake the necessary EZ investments, repay loans and develop other areas of LEP activity. | Continue to liaise with business rate function staff to improve forecast accuracy and determine contingencies. Establish a reserve within EZ funds. Manage expectations about availability of finance and reduce investment programme accordingly if need be. | Improve forecasting and understanding of cashflow and monitoring of income. Ensuring that we have sufficient levels of reserves to manage short-term variances in EZ income. Ensure sufficient flexibilities to turn on and off commitments. | 4 | 3 | 12 | → |
| Economic | Uncertain economic conditions make it difficult for the LEP to support economic development. | It's hard to identify how the LEP can tackle all the issues that are likely to crystallise as a result of the pandemic. The LEP may not have the means to adequately and comprehensively respond. Could impact the reputation of the LEP. | Recovery plan being developed in conjunction with stakeholders which will convey the scope of what the LEP intends to do to aid recovery | Investment in developing business cases and "Place" marketing has been approved by the board and further use of EZ retained business rates is expected to continue creating opportunities and awareness. Committees are tasked with redirecting funding for failing projects in order to prevent loss of funding. Continue Horizon scanning to drive pipeline of appropriate projects. | 4 | 3 | 12 | → |
| Operational | Failure to successfully deliver projects and programmes which the LEP is responsible for [in compliance with the funding conditions] | Reputational damage, loss of funding, damage to stakeholder relationships, LEP needs to find funding to underwrite costs, not able to deliver the SEP/LIS | Ensure all bids are reviewed to ensure they're properly costed and all paper's include a FD opinion. Look at delivery options to see if risk can be shared or transferred. Consider contracts and all terms to ensure they are understood and as tight as possible. Independent appraisal then ongoing monitoring and managing of contracts. | Make it a mandatory part of the approval process that FD opinion is given on all bids. Consider writing into the LAF. Carry out a review of all existing funding contracts so that the LEP fully understands and can account for the financial implications of those programmes e.g. Accelerate which requires the LEP to cash flow the delivery costs with the funds only being reimbursed if the targets are met. | 4 | 3 | 12 | → |
| Financial | LEP review, spending review and Pm Speech on devolution could and will create change, ambiguity and need to change LEPs objectives and internal structure. | LEP review may mean that staffing structure of the LEP needs to change to meet new priorities to ensure LEP has the right skills and expertise. May cause staff motivation and uncertainty. issues Board and committee members might become disengaged, not seeing the value in committing their time to the LEP given revised priorities. | Work with ministers and officials to help reduce ambiguity to help better inform LEP structures and objectives. Work with LAs and LEP network to help shape those discussions and understand what ministers really want to achieve. Make sure that the views of C&W LEP are heard. Ensure mgt of internal structure and finances maintain max flexibility to respond to changing priorities. Work to reassure staff and that the LEP is expected to grow. Budget setting will need to account of budget uncertainty. | Continue to review position and align response accordingly. Continue to brief staff and board as the position evolves and a positive view of what the future role of the LEP will be. Work to actively keep board and committee members committed to supporting the LEP. Working on review of LEP within C&W. Develop comms plan which promotes the achievements of all the different funding initiatives so that while the capital funded programmes may be coming to an end, the LEP is involved in far more activity which adds value. | 4 | 3 | 12 | → |