

Hertfordshire Local Enterprise Partnership

Herts LEP Update to Local Transport Body

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Purpose of Report

To inform the Local Transport Body regarding the LEP's strategic infrastructure and regeneration activities, and to provide an update on strategic issues in general as they relate to the LEP. The report is arranged in two sections:

1. LEP Issues – update on current LEP issues
2. Project Updates – setting out issues and information on current key projects

Please note that the major highways projects will be explained in more detail in Richard Boutal's report.

1. LEP Issues

Project Appraisal & Approval Process

In part as a result of the Mary Ney Review of LEPs, Hertfordshire LEP has looked in detail at the process by which it develops, appraises and approves new projects. The Ney Review looks at governance and accountability as a whole and is available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655188/Review_of_local_enterprise_partnership_governance_and_transparency.pdf

Although the LEP has used a number of different project development and approval processes previously, most recently it has adopted a 'prospectus' approach for new projects whereby we approach and work with potential applicants to develop projects that help deliver the objectives of the LEP's Strategic Economic Plan. While there is no right or wrong method, this type of approach has its limitations. So in November last year we launched an Open Call for funding. Any private or public sector organisation based in the county was eligible to apply. The results of the Open Call are set out in the next section.

Unlike previously where projects were appraised by each of the three programme boards, we have now created a new Chair of Chairs Panel consisting of the three programme board chairs, the LEP Executive Director and the LEP's s151 Officer. Projects are sifted and scored by the LEP Executive, reviewed by an external body and financial eligibility checked by HCC Finance. All projects, regardless of their score or eligibility, go to the Panel. The LEP Board still signs off all projects, based on the recommendation of the Panel.

In our view this streamlined process has worked well for the recent Open Call and is very likely to be adopted going forward.

However, it has also highlighted that the means by which infrastructure projects (seeking LEP funding) in the county are developed and appraised needs to be re-examined. While the LEP requires economic development outputs (broadly housing, jobs, skills, businesses assisted) infrastructure projects are looking to deliver transport outputs (such as road safety, congestion relief). This means that transport projects that may score low in terms of immediate and direct economic development outputs are competing with non-transport projects that are geared to high economic development outputs. In other words it risks becoming a far from level playing field.

To help address this we are seeking to develop a structure, system and resource that enables infrastructure projects to be measured against the LEP's overall objectives. We are working with HCC Highways colleagues to determine what this could look like and how it could be delivered. Once the details have been worked up we will explore this in detail with the LTB.

2. Project Updates

Open Bidding Call and Project Pipeline

The LEP opened its 2017/18 Open Call in November 2017. Its purpose was to identify potential projects that could utilise the £12.5m that had been allocated as an Evergreen Fund under Growth Deal 2, which was an underspend. The Call Specification stipulated some key criteria for all bidders, i.e.

- Bids for grants must be for capital expenditure only
- A minimum match ratio of £1:£1 is required
- No retrospective bids allowed
- Grant must be spent by end of financial year 2019/20 at the latest.
- Applicants must satisfy state aid, procurement, and vfm requirements

In total 20 projects were submitted by the deadline; the total submission value was £73,851,843.

In line with the LEP Assurance Framework, all applications were initially reviewed by the LEP Executive during the first week of January 2018 and were scored against a common framework. Once scored by LEP Executive the projects received an external appraisal, and a financial assessment by HCC's finance team.

Once all information and appraisal details were collated all applications were ranked and prioritised by the LEP Officers into four categories as defined in the table below:

Category	Combined amount	No of Applications
A – Project meets compliance levels of both the LEP and this specific call, the project is viable and recommended by the LEP executive	£9,499,995	2
B – As above but has lower value for money or is less of a LEP priority	£5,738,980	3
C – This project is the type of project the LEP would support in the future, however it is not suitable for this call. This could be due to its spending being outside call parameters or the project is not yet developed enough. The LEP would revisit this project in future calls	£40,626,072	9
D – This is not a suitable LEP project now or in the future	£17,986,796	6

In line with the revised LEP Assurance Framework a summary of all applications was presented to the LEP Chairs Panel for consideration with a request that recommendations be made for the LEP Board final decision.

At the LEP Chairs Panel meeting which took place on the 13th February 2018, the Panel:

- Agreed to recommend to the LEP board to approve the two A ranked projects:
 - LEP0140 - Business Hub - University of Herts (Funding requested **£2,500,000**)
 - LEP0127 - Veterinary Vaccinology and Cell Therapy Hub - The Royal Veterinary College (Funding requested **£7,000,000**)
- Agreed to recommend that an option should be held open for 3 months for LEP0132 - Project HIT (Hertfordshire Innovation & Technology Centre) – BRE (Funding requested **£2,638,980**) to confirm arrangements for match funding and overall governance. In the case that LEP0132 is unable to confirm the match funding and satisfaction re governance, within the specified timescale then

funding would be allocated to the LEP0145 - Hemel Hempstead Campus Building Expansion - WHC. (Funding requested **£900.000**)

- Agreed that the LEP Executive should work with the following C ranked projects and help develop them further:
 - LEP0136 - Old River Lane, Bishop's Stortford - EHDC
 - LEP0133 - Waltham Cross Renaissance Phase 1 - Broxbourne Borough Council
 - LEP0142 - Watford Infrastructure and place shaping improvements
 - LEP0128 - Works Road R&D, Innovation Centre & Training Academy Development – Autoglym
- Agreed to recommend the remaining five “C” projects should be informed by letter that they were unsuccessful. The “D” projects should be informed they are unsuccessful

The LEP Board endorsed these recommendations at its meeting on 22nd March 2018. All projects have now been contacted.

Essex Road (LEP0077)

Although the project was approved in outline when the original GD3 programme was submitted to Government, the project still needed to be approved in detail by the LEP. A formal application for funding was submitted by HCC Highways Major Projects team which set out in detail funding, match funding and projected outputs.

In line with the LEP Assurance Framework, the application for LEP capital investment of £6,372,549 went through an internal and external appraisal and was presented to the Chairs Panel meeting on 13th February 2018. The Chairs Panel agreed to recommend that the Board approve the application.

The LEP Board endorsed this recommendation at its meeting on 22nd March 2018.

Funding Re-Profiles

Funding re-profiles were agreed by the LEP Board at its meeting on 22nd March 2018 as follows:

A120 - Little Hadham Bypass and Flood Alleviation Scheme (LEP0053)

HCC Major Projects Team requested a re-profile for the Little Hadham Bypass and Flood Alleviation Scheme.

The current Funding Agreement identifies £715,000 of LEP funding in 2017/18. Due to an extended CPO process, the scale of planned advanced works on the project has been reduced, reducing forecast expenditure in 2017/18.

A revised LEP Financial Profile is set out in the table below.

The £1,665,000 will be netted off by the LEP from the DfT retained funding on receipt in 2018/19.

Financial Year	2015/16	2016/17	2017/18	2018/19	2019/20	Total
Original DfT Contract Value	£400,000	£3,700,000	£12,800,000	£10,500,000		£27,400,000
DfT Revised Retained Funds	£400,000	£600,000		£26,400,000		£27,400,000
Requested LEP SLGF Forward Funding to cover HCC costs prior to full approval		1,665,000	£715,000	-2,380,000 (repayment)		0
Proposed Revised Profile	£400,000	£1,665,000	0	£25,335,000		£27,400,000

A602 Improvements (LEP0026)

HCC Major Projects Team have requested a re-profile for the A602 Improvements.

The current Funding Agreement identifies £6,460,000 of LEP funding in 2017/18. Sections A and C of the scheme are now in construction, with a contract tender value of c£4,000,000 which will be spent in 2017/18. However, an extended planning procedure for Section B has resulted in slippage of that element of the project resulting in a re-profiling of forecast expenditure from 2017/18 to 2018/19.

Financial Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Original SLGF Contract Value	£420,000	£690,000	£10,930,000	£6,450,000			£18,490,000
SLGF 1 previous Re-profile	£420,000	£1,000,000	£6,460,000	£6,370,000	£4,240,000		£18,490,000
Proposed Revised Profile	£420,000	£1,000,000	£4,530,000	£2,060,000	£6,290,000	£4,190,000	£18,490,000

Metropolitan Line Extension (LEP0005)

It now appears very likely that the Metropolitan Line Extension (MLX) project is dead. However, until it is dead *and buried* there will remain a considerable number of legacy issues to resolve.

The LEP Executive took a paper to the LEP Board on 22nd March. The paper asked the Board to look at five elements post MLX:

1. Funding recovery – this is out of our hands as DfT is leading on recovery of funding from TfL
2. DfT retained funding – ensuring that DfT retained funding for MLX is still spent in Hertfordshire
3. HCC funding requirements – agreeing HCC's infrastructure requirements lost to the MLX £37m funding increase
4. WBC funding requirements – agreeing WBC's requirements in lieu of MLX
5. MLX outputs – agreeing new lower outputs with BEIS to reflect loss of MLX outputs

The funding MLX package, and how this changed over time, is shown below (LEP funding in blue):

Funding Contributor	July 2014 (£m)	January 2015 (£m)	April 2015 (£m)
DfT	76.24	76.24	109.82
HCC	16.0	21.33	27.555
HCC (borrowing)	26.0	30.5	0
WBC	2.595	7.595	9.595*
LEP Growth Deal 1	50.5	50.5	50.5
LEP additional (provisional)	0	37.35	37.35
TfL	0	0	16.0
TfL (borrowing)	0	0	30.5
Other	3.08	3.08	3.08
TOTAL	174.415	226.595**	284.4

* includes £1.125m of local private sector contributions ** note there was a funding gap in January 2015

The total LEP commitment to MLX of £87.85m comprises two elements:

LEP GD1 funding	£16.85m (of which £5.4m will need to be recovered from TfL)
LEP DfT retained funding	£70.7m
Total	£87.55m

DfT retained funding is DfT money that is routed through the LEP but that the LEP has little say over. This means that we would need to persuade DfT to reallocate this funding to Herts infrastructure. In reality the

LEP only really has £16.85m to play with. DfT is seeking to recover all of the grant funding expended to date on the MLX project by TfL.

The LEP Board asked that the LEP Executive progress the five elements set out above and, to that end, regular discussions are being held with WBC and HCC.

Maylands Growth Corridor Study (LEP0022)

The Maylands Growth Study is now completed and was signed off by the Enterprise Zone Board at its meeting on 9th February.

The final document in the suite of reports is the Investment Prospectus. This sets out the context, the case for investment, how the study was developed (including the documents making up the entire study) and the proposals. The prospectus also identifies the way ahead and broad next steps.

There are 8 proposed interventions, each consisting of a number of sub-projects. The largest project is the proposed re-building/expansion of M1 J8 however it is important that the interventions need to be considered collectively rather than in isolation.

A10 Buntingford Roundabout (LEP0076)

Although the project was approved in outline when the original GD3 programme was submitted to Government, the project still needs to be approved in detail by the LEP. A formal application for funding has been submitted by HCC Highways Major Projects team which sets out in detail funding, match funding and projected outputs. The application was appraised on 26th January 2018 at which it was determined that more information was needed. This is being discussed directly with HCC Highways.

Recommendation:

Action for LTB

LTB is asked to note this paper