

Wiltshire Council

Cabinet Capital Assets Committee

21 July 2015

Subject: **Swindon and Wiltshire Growth Deal – forward funding project development**

Cabinet Member: **Councillor Jane Scott OBE
Leader of the Council / SWLEP Board Member**

Key Decision: **Yes**

Executive Summary

The Swindon and Wiltshire Growth Deal was agreed between Government and the Swindon and Wiltshire Local Enterprise Partnership (SWLEP) between July 2014 and January 2015. In total £140million of devolved Government funds were allocated to the SWLEP area to support delivery of several major infrastructure projects. In Wiltshire, over £38million pounds has been allocated to eight different projects, attracting an additional £39million of local investment from the private sector, developer contributions and Wiltshire Council.

The project business cases submitted to Government were developed to a level required to secure Government grant funding. Wiltshire Council is now in a position to ensure the successful and timely delivery of our Growth Deal projects by developing them up to Full Business Case status ahead of delivery.

Proposal

That Cabinet agrees to cash flow the development costs for Growth Deal projects in the Wiltshire Council geography (recoverable from the allocated Local Growth Funds during delivery), to ensure that our Growth Deal is delivered to time, to cost and to quality.

That Cabinet delegate's authority to the Section 151 Officer in conjunction with the Leader of the Council and the Associate Director for Economic Development and Planning, to resource the upfront development costs for further business case development work on identified projects and to ensure that forward funding is cost neutral over the period of cash flow.

Reason for Proposal

To ensure that projects proposed by Wiltshire Council as part of the Swindon and Wiltshire Growth Deal are sufficiently developed to enable efficient delivery to time, to cost and to quality.

Dr Carlton Brand
Corporate Director

Wiltshire Council

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Purpose of Report

1. This report seeks permission from Cabinet Capital Assets Committee to forward fund through Wiltshire Council resources the further development work required on a number of Growth Deal projects. These costs will be capitalised and recovered through the Local Growth Fund allocations secured for each project.

Relevance to the Council's Business Plan

2. The following key actions and outcomes in the Council's Business Plan are relevant to this report:

Key Action Two: Stimulate economic growth in partnership with the SWLEP

Outcome One: Wiltshire has a thriving and growing economy

Outcome Three: Everyone lives in a high quality environment

3. The Swindon and Wiltshire Growth Deal provides much needed capital investment towards a range of infrastructure projects that underpin our economy, including highways improvements, urban regeneration and business and economic development.

Background

4. The Swindon and Wiltshire Growth Deal was agreed between Government and the Swindon and Wiltshire Local Enterprise Partnership (SWLEP) between July 2014 and January 2015. In total £140million of devolved Government funds were allocated to the SWLEP area to support delivery of several major infrastructure projects. In Wiltshire, over £38million pounds has been allocated to eight different projects, attracting an additional £39million of local investment and supporting the creation of over 7,000 jobs locally.

5. The project business cases submitted to Government were developed to a level required to secure Government grant funding. Wiltshire Council is now in a position to ensure the successful and timely delivery of our Growth Deal projects by developing them up to Full Business Case status ahead of delivery in 2016/17, as per the requirements of the SWLEP Assurance Framework. The indicative collective cost of this work is £670,000.
6. Whilst these costs present a short term revenue implication to the Council which is in addition to £391,000 (please see Appendix 1) of funds already spent against future secured Local Growth Fund allocations (obtained through an Earmarked Reserve Drawdown Request in July 2014), the costs incurred to develop the projects will be recovered from the Local Growth Fund allocation for each project. Therefore the request is to cash flow the development work and not to provide additional funding on top of the allocated Local Growth Fund grant.

Main Considerations for the Council

7. The project business cases that were submitted to Government as part of the Growth Deal negotiations in spring 2014 and winter 2014/15 were strategic outline business cases representing an early stage of project development. Because of this the successful projects require further development work to ensure that they are properly costed, deliverable and offer good value for money prior to delivery commencing. In addition, it is a requirement of the newly adopted SWLEP Assurance Framework that project sponsors develop projects to Full Business Case status, in line with HM Treasury and Department for Transport standards, prior to commencing delivery and the release of funds.
8. This section of the report details the costs attributed to the development of funded projects and the timeframe within which the funds will be returned to the Council. The table below gives an overview of costs of work required, when the costs will be incurred and when they will be repaid to the council through LGF allocations. A summary of each scheme is then given below.

9. **Table 1. Project development summary**

Project	Work required	Cost of work	When required	When recovered
Chippenham Station redevelopment	DfT OBC. Detailed design. Planning.	Circa £350k	2015/16	2016/17
Corsham Digital Campus	HMT FBC. Detailed design. Planning.	Circa £350k	2015/16	2016/17

10. **Chippenham Station Redevelopment**

The Chippenham Station Redevelopment project has been ‘retained’ by the Department for Transport (DfT) as a ‘Major Scheme’. As such, Wiltshire Council as scheme promoter is now required to complete a DfT compliant WebTAG Full Business Case for the scheme prior to an additional funding agreement being reached with DfT. The cost of this task is anticipated to be up to £350,000.

These costs will be recovered by the Council in 2016 when the allocated LGF funds for the project become available. Should the business case not be successful in achieving sign off and agreement from DfT, DfT have indicated they would honour the costs spent on developing the business case. This will be followed up to ensure we have an official written response from the department to this affect which will de-risk the investment for Wiltshire Council. The Wiltshire Council section 151 officer will keep the Cabinet Capital Assets Committee informed of developments in this regard.

13. Corsham Digital Campus

The Corsham Digital Campus requires developing up to and including detailed design. This includes an in depth review of the scope and scale of the project including specialised client support, full site surveying, architectural design, planning and construction project management. The collective costs of these activities are anticipated to be up to £350,000. £30,000 was approved as part of the original business case so this report is seeking a further £320,000. These costs will be recovered by the Council in 2016 when the allocated LGF funds for the project become available. Without carrying out this work the project is unlikely to be delivered inside the 2016/17 window due to lead in times for the works to be completed and approved by the planning authority.

14. Future Project Development Costs

This report refers to those projects which require additional development work due to be delivered or commence delivery in the 2016/2017 delivery period. Within the Swindon and Wiltshire Growth Deal there are several other projects due to be delivered in later years in the Growth Deal delivery period 2015 – 2021. A number of these projects will require additional development work which could be carried out in advance of the allocated grant funds being made available. Officers are continuing to develop these potential costs in order to provide an ongoing review of potential future expenditure. All future requests to forward fund pre-delivery requirements will continue to be communicated to the Cabinet Capital Assets Committee for review and decision.

15. In addition the SWLEP are currently carrying out a review and refresh of the Strategic Economic Plan (SEP). This work is likely to identify and prioritise a number of new projects that were not part of the original SEP, and therefore not part of the original funding bid. Cabinet Capital Assets Committee (CCAC) has identified and recognised through monitoring reports the need to allocate up to £800,000 to develop the business cases for future projects. The costs incurred from this allocation have since been recorded against the future grant funding amounts following success in securing funds through Growth Deal Round Two. As part of the SEP refresh, officers are continuing to identify a prioritised list of projects which will be presented to CCAC with a view to realigning the project development fund allocation to the new priority project list.

Safeguarding Implications

16. There are no safeguarding issues related to this report.

Public Health Implications

17. The local economy is a known contributor to the wider determinants of health. A struggling local economy can lead to higher unemployment throughout the local population. This in turn can impact on the mental and physical health of the population in terms of increasing levels of personal debt and associated mental ill health, fuel poverty, child poverty and homelessness.
18. The work of the SWLEP delivered through nationally competitive Growth Deals, aims to deliver over 25,500 jobs in Wiltshire and attracts over £500 million of private sector investment to our economy. This will help ensure that Wiltshire's economy remains strong and resilient and that employment figures remain high.
19. There are potentially large population-level health gains to be made by shifting to more active modes of commuting, which include public transport alongside walking and cycling. The majority of commuters in Wiltshire use private motor transport as their main mode of travel. Redevelopment of one of the county's key rails stations should be a welcome boost to public health, promoting both increased physical activity as well as wider health gains offered by more sustainable transport solutions.

Corporate Procurement Implications

20. The project development works discussed in this report will be procured from relevant parties in line with the Wiltshire Council regulations and process pertaining to corporate procurement. Advice and guidance will be sought from the Corporate Procurement Unit prior to embarking on any procurement activities.

Environmental and Climate Change Considerations

21. Through the development of the Growth Deal there will be an increase in demand for, and consumption of, energy in Wiltshire. However, these proposed developments also present opportunities for innovative and pioneering solutions in terms of meeting the challenges ahead of rising energy costs and disrupted supply.
22. The Growth Deal offers the chance to support the necessary transition to a low carbon economy which will reduce energy costs and consumption, as well as securing supply for businesses and residents. Through the Growth Deal

Wiltshire can develop and grow into a low carbon business destination of choice.

23. The planned housing, road improvements, and business growth and expansion, provide an opportunity to embed the development of a low carbon infrastructure and sustainable building practices. This in turn will also support the local skills agenda, offering opportunities for apprenticeships, up-skilling of the workforce and supporting emerging technologies and patent development.
24. The planned road and rail improvements will also ensure that innovative sustainable transport solutions and networks are fully explored. This will enable affordable low carbon travel throughout the county for business, domestic and tourism.

Equalities Impact of the Proposal

25. The Department for Business, Innovation and Skills published its Equality Impact Assessment (EQIA) for Growth Deals in July 2014. The report concludes that the Growth Deal programme has no adverse impact on any protected group and that the proposed funding decision is neutral in advancing equality of opportunity between persons who share the relevant protected characteristic and persons who do not share it.
26. As projects develop, Wiltshire Council officers will continue to consider the equality implications locally and ensure that there are no negative impacts. This will be done throughout the life of their development and delivery.

Risk Assessment

27. The table below captures the risks together with impacts and probability assessments and mitigation suggestions.

Risk	Impact (0-4)	Prob (0-4)	Total	Mitigation
Approved grant funding is withdrawn causing the projects to be undeliverable and creating unbudgeted revenue cost for the Council.	4	2	8	The Council is in receipt of a written provisional allocation of funding from Government outlining the extent of the LGF grant. Where necessary officers have sought assurances from Government departments that repayment of forward spending on project development will be honoured should the project funding be withdrawn. This needs to be progressed so that we have official written confirmation. Officers will continue to communicate with Government officials and monitor any change to this agreement.
Detailed design and Full				Business Cases have been

Business Case development increases project costs due to discovery of abnormalities.	4	2	8	developed to Outline Business Case level and have been reviewed and approved by Government. A staged approach to Business Case development seeks to reduce the overall risk of the investment. Any changes to scope and scale will be reviewed by the SWLEP Board and Wiltshire Council Capital Assets Committee before proceeding to delivery.
Business Cases are rejected by SWLEP and/or Government	3	1	3	The Business case development has followed the HMT Green Book methodology and staged approach. At each stage the detail has been improved upon and agreement has been sought. Engagement and enthusiasm for the delivery of the project remains from all stakeholders who will continue to be informed of developments.

Risks that may arise if the proposed decision and related work is not taken

28. Should the funds not be made available ahead of planned delivery then there is a likely risk that the projects will not be delivered within the planned delivery timeframe.

Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

29. The approved grant funding agreement has not been received by Government for any of the projects which require further development work ahead of their grant funding allocation becoming available. Grant funding confirmation for project starting delivery in 2015/16 was received five weeks before funds were made available. Therefore it is unlikely that confirmation for projects starting delivery in 2016/17 and beyond will be received more than a month prior to the start of the funding year for each project. Therefore there is a small risk that the funding could be withdrawn from the SWLEP and reallocated. This would ultimately cause an unbudgeted revenue cost for Wiltshire Council for the funds spent developing the projects in advance of grant funding.
30. Where possible, officers have sought assurances from Government departments that costs incurred to develop the projects to a level of deliverability will be honoured, regardless of whether the project is delivered or not. This needs to be followed up with official written assurance from the relevant departments.

Financial Implications

31. CCAC approved £800,000 of Development costs for specific Local Growth Fund projects in July 2014. Actual spend to date totals £165,000 on these identified

schemes, leaving a balance of £635,000. £226,000 has also been spent on LTB Scheme A350 North of Chippenham Bypass which was subsumed into the Local Growth Fund. The first allocation of Local Growth Fund funding has now been released for this project.

32. Therefore in total £391,000 has been spent so far on developing business cases. All of this spend has been on projects that have now secured Local Growth Fund grant. These costs have been recorded against capital and will be retrospectively applied to the Local Growth Fund grant. As these costs have been incurred prior to Local Growth Fund grant being received Wiltshire Council has had to cashflow them; some schemes do not get an allocation until 2019/2020.
33. If these schemes do not progress and create an asset these costs will need to be moved to revenue or when official written assurance has been received could be honoured by the departments and can still be allocated against the Local Growth Fund grant. Officers need to follow up indicative assurances to ensure official letters from the relevant departments are received.
34. Porton Science Park Development costs have not been included in this report as this was covered separately in the Cabinet report on 7 October 2014 due to the different circumstances surrounding the project.
35. This report is requesting approval to cashflow a further £670,000 for two Local Growth Deal projects (£350,000 less £30,000 already approved for Corsham Mansion House - see paragraph.13, and £350,000 for Chippenham Station). Both projects have Local Growth Fund grant allocations in 2016/2017. If approved this would result in Wiltshire Council having to cashflow up to £1,470,000 for Local Growth Fund development costs until the Local Growth Fund grant is received. This is set out in Appendix One and includes the £670,000 requested in this report and the £800,000 already agreed by CCAC in July 2014. In addition to this, approval was also given on 17 March 2015 to cashflow £1,670,000 to accelerate the delivery of A350 Dualling Chippenham Bypass (Bumpers Farm) to enable completion in 2015/2016.
36. This new request would take the overall cashflow position for Local Growth Fund to a total of £3,140,000. This potential means a loss of interest of circa £18,800, and/or incurring borrowing costs of circa £314,000 (although at present forecasts suggest there is less need to borrow and as such these costs are not felt likely before 2018). The benefit of cash-flowing these projects over the potential cost is the continued development of key economic and transport projects in Wiltshire and attracting monies from Government to support that agenda. As such at this stage the cash flow option is supported. Continued monitoring of project development is required to CCAC to assess at the earliest opportunity any costs that are unlikely to materialise in a capital asset in order

that the risk of costs reverting to revenue is managed as well as identifying where this cost would be funded. In addition, the Council will pursue legal agreements with third parties for some or all of this liability to mitigate and transfer any risks.

37. A summary table has been provided in Appendix 1.

Legal implications

38. Lead officers have been working closely with colleagues in Legal Services to ensure that Growth Deal projects comply with European State Aid Regulations and other legal requirements. An officer group has been established between lead officers, finance officers and senior solicitors to ensure that legal issues are identified and discussed at the soonest opportunity in project development so that support and advice can be provided.
39. The Monitoring Officer at Wiltshire Council has been engaged with colleagues from SWLEP and Swindon Borough Council to ensure efficient and robust governance arrangements are in place to monitor Growth Deal delivery and development.
40. As part of the SWLEP Assurance Framework all Growth Deal project promoters are required to develop full business cases up to HMT Green Book or DfT WebTAG compliant standards. The Assurance Framework states that the Accountable Body section 151 officer will be responsible for approving the Full Business Case and that the conditions of funding will be based on this review. Therefore Wiltshire Council as Accountable Body has a responsibility to ensure these standards are maintained.

Options Considered

41. The following options have been considered:
- a) Option One: Forward fund the development of those Growth Deal projects that have received a Local Growth Fund allocation and seek the costs back from the grant allocation once available. (Preferred Option)
 - b) Option Two: Do not forward fund the development of those projects that have received a Local Growth Fund allocation and delay project development until the funding has become available, accepting the slippage to project delivery that this will cause.

Conclusions

42. Wiltshire Council has been successful in securing significant funding to deliver a number of high value infrastructure projects. In order to deliver the projects within the timeframes stipulated by Government a level of pre-delivery detailed design work needs to be completed on four of the projects at a cost of £700,000. Whilst

Wiltshire Council could delay the completion of this work until the allocated grant funds the impact of this will be felt on the delivery timetable and projects will ultimately suffer significant slippage on delivery.

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31 March 2015

The following unpublished documents have been relied on in the preparation of this Report:



SWLEP%20AF%20MA
STER%20FINAL%20ar

SWLEP Assurance Framework



Business%20Plan%20
Priority%20Earmarked

Growth Deal' Earmarked Reserve Drawdown Request – July 2014

Appendices:



Appendix 1.xlsx

Appendix One: Local Growth Fund Summary Position