

Leader of the Council
Councillor D Hitchiner

Your Ref:

Our Ref: DH /

Please ask for: Councillor D Hitchiner

Direct line / Extension:

E-mail:

20th July 2020

Mandy Thorn
Marches LEP
Cameron House,
Knights Court,
Archers Way,
Battlefield Enterprise Park,
Shrewsbury SY1 3GA

Dear Mandy,

LEP Funding for the SWTP

I spoke to you a few weeks ago about issues relating to the funding situation with the Hereford SWTP, and apologise that it has taken me so long to put an explanation in writing.

You were not chair of the LEP at the time of the May 2019 elections so were therefore perhaps not well sighted on the issues.

To date I have had to resist telling the full story because of the possibility of legal proceedings in respect of the tendering process. This can now be told.

As you will be aware much is being made by the Conservative Group on Herefordshire Council, and clearly also further afield in their networks of interest, about a sum of £27m for the Southern Wye Transport Package (SWTP) that has been 'lost' by this Alliance administration. This is not an accurate portrayal of events.

Governance Failures: One of the first briefings that our new administration received from officers following the May 2019 elections was to advise us that there were serious concerns about the soundness of the procurement process that had been carried out during the previous administration.

An urgent investigation into what had happened was carried out by the council's internal auditors, SWAP. This was reported to the Council's Audit and Governance Committee on the 24th September 2019¹. The report identified significant weaknesses in project governance processes and made a number of recommendations to address them and prevent a recurrence.

As a result of the investigation, we were advised it would be unsafe to award a contract within the requirements of our financial regulations. Also the final business case (which was necessary to draw down the remaining funding) was not ready or able to be submitted through the LEP to the Department for Transport. The cabinet accepted the advice, however the tender process for constructing the road, remained live but without a means to complete it, or – at that stage - to terminate it.

Consideration was given to disclosing publicly the failure in the procurement process, including officially to the LEP. However as the process was still live, the decision was taken to maintain confidentiality to avoid the risk of any legal challenge.

Cabinet members of the previous administration knew back in March 2019 of the concerns regarding the procurement process (and most likely much earlier). Therefore it is disingenuous of the former administration to claim then, as now, that it is the actions of the new administration that have caused the loss of this funding to Herefordshire.

Delivering the objectives: Obviously I was still keen to progress the non-road aspects of the SWTP programme and to propose alternative means by which to deliver the overall outcomes of the project – albeit that the road scheme in its originally planned format was no longer unachievable.

Cllr Harrington and I came to the LEP in November 2019 and sought permission for the available funds to be used to progress a range of projects which would have delivered improvements to the city's transport/traffic issues by other means and we could have achieved this within the timeframe of the funding allocation. Unfortunately, a majority of members of the LEP board refused to support this proposal even though it would have delivered spend within the funding period, and delivered many of the outputs required.

Strategic Transport Review: Following the 2019 election, and in parallel with the emerging picture on the SWTP, our new administration considered that we had an overall mandate from the electorate to review the transport strategy for the city. The decision to pause all road projects and to review our options was delayed by the purdah periods for two local by-elections.

We were eventually able to take the pause and review decision on 9 August 2019. Enactment of the decision was then further delayed by the decision being called in by the Scrutiny Committee and considered on 9 September 2019. The decision was then reconsidered and taken on 22 October, and the scoping of the review confirmed on 24 January 2020. This decision to pause and review the transport strategy for Hereford enabled us finally also to obtain closure on the stalled procurement, which was formally discontinued on 27 February 2020.

¹ The papers for A&G can be found via the following link:

<http://councillors.herefordshire.gov.uk/ieListDocuments.aspx?CId=568&MIId=7145&Ver=4>.

Reallocation of SWTP Funds: The LEP Board has since sought to reallocate these funds to other projects across its region. Following a LEP meeting in February, Herefordshire Council has been successful in securing funding for two projects.

Unfortunately, the accountable body for the LEP (Shropshire County Council) acting on behalf of the LEP has not expedited the issue of funding agreements for these fall-back projects. The consequence of this is that, several months after the decisions were taken to fund alternative projects, the local authorities responsible for those fall-back projects are unable to commence spending unless they deliberately contravene their own Financial Regulations. This includes Herefordshire Council.

We are anxious to receive the funding agreement letters as soon as possible for the “replacement” projects we have been allocated which we remain able to complete within the timescales. I have already explained this in my letter to Gill dated 1st July 2020 and do not understand why these continue to be delayed.

As a result of this delay, I do not believe it is now feasible to spend all of the funds allocated to one of the two Herefordshire projects by the end of the funding period - currently identified as end of March 2021.

Urgent Discussion: I would like to discuss with you and Gill the options open to us for a satisfactory reallocation of funds assigned in good faith to the Ross Enterprise Project. I am keen that this discussion takes place at your earliest convenience. I am confident that I can offer alternative Herefordshire based projects which will be able to make use of the funds remaindered to us within the required timeframe.

I am sure you are as keen as I am to agree a way forward which is satisfactory for Herefordshire and also for the LEP and the majority of those associated with it.

Regards

Yours Sincerely

**COUNCILLOR DAVID HITCHINER
LEADER OF THE COUNCIL**

Cc Gill Hamer