

MARCHES LEP BOARD MEETING PAPER

Meeting date:	27 January 2020				
Agenda Item:	Item 6a				
Item Subject:	South Wye Transport Package (SWTP)				
For:	Discussion		Decision	X	Information
<p>Purpose: To outline:</p> <ul style="list-style-type: none"> The implications of the letter received from Herefordshire Council on 17/01/2020 about the Review of the SWTP And, the impact of this decision on the LEP's need to ensure all Growth Deal funds are spent before March 2021 otherwise the funds could be lost to the Marches . 					
<p>Recommendations:</p> <ol style="list-style-type: none"> To note the Letter of 17/01/2020 from Herefordshire Council, which advised the LEP it would "aim to conclude the Review by 31 July 2020". (See Appendix 1). To note the terms of the LEP Funding Agreement between the LEP and Herefordshire Council for the SWTP, requiring £27m of funds to be incurred by 31 March 2021. To terminate with immediate effect the Funding Agreement between the LEP and Herefordshire Council for the SWTP (taking into consideration the practicalities of achieving the terms of the LEP Funding Agreement with the review not being completed until 31 July 2020). To start discussions with Herefordshire Council on the claw back of the £3.8m already paid to Herefordshire Council to support the development of the SWTP project. The LEP take part in the stakeholder panel of the SWTP Review. 					
<p>Background</p> <ol style="list-style-type: none"> Shropshire Council, acting as the Accountable body for the Marches LEP, signed the SWTP funding agreement with Herefordshire Council, in February 2016. The total value of the grant agreement was £27m. The funding agreement states the SWTP would include a new Southern Link Road (SLR) linking the A49 with the A465 and B4349 to the south of the city, integrated with a set of measures to improve travel opportunities and conditions for pedestrians, cyclists and public transport users in the South Wye Area. The total SWTP project value was estimated as being £35m with the SLR costed at £29m. The original timescales for completion of the SLR was winter 2018/19 and completion of the active travel measures by winter 2021/22. To note all funds allocated to SWTP under the funding agreement are required to be spent and defrayed by 31 March 2021 when the Growth Deal Programme ends, otherwise they may be lost to the Marches. On 22/10/2019 Herefordshire Council took the decision to pause and review the SWTP. Due to the significance this £27m project has on the LEP's £104m Growth Deal Programme a number of requests have been made seeking clarification from the Council on the timescales for the Review. The LEP was formally notified on 17/01/2020 that the Council has identified the scope of the Review, which it aims to conclude by 31 July 2020. See Appendix 1 for a copy of the letter. At the 26 November 2019 LEP Board meeting it was agreed that:- <ol style="list-style-type: none"> Herefordshire Council had to confirm in writing to the LEP Director and Chair, their decision in relation to the delivery of the Southern Link Road by 17 January 2020. A decision be taken at the next Board meeting (27 Jan 2020) on the future of the project, with a recommendation of cancelling the Funding Agreement if: 					

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- Herefordshire Council do not complete the Pause and Review on the Southern Link Road.
 - Or Herefordshire Council confirm their decision not to build the Southern Link Road, after undertaking the Pause and Review exercise.
- c) The Board noted that it was necessary to take a decision in January 2020 to mitigate any risk relating to underspend within the overall Marches Growth Deal Programme
4. The letter of 17/01/2020 has been shared with the Department for Transport (DfT), as the SWTP is a retained project, the DfT have confirmed they will only release the Growth Deal Funds allocated to SWTP back to the LEP to distribute if the LEP Board agree with Recommendation 3 (see above).
 5. Please note it is accepted by Herefordshire Council in a paper for decision by its Cabinet Member for Infrastructure and Transport on 24/01/2020 that not commencing the construction of the SLR and waiting for the outcome of the review is likely to result in the withdrawal of the £27m grant from the LEP. As indicated in section 1 this is because the terms of the grant require spend to be incurred by 31 March 2021.
 6. As identified in the LEP Programme Risk Register Herefordshire Council has already received £3.748m of the £27m SWTP total project award to pay for SWTP development costs. If the Board agree to terminate the SWTP Funding agreement the LEP will need to invoke the clawback and termination clauses in the funding agreement to recover these funds as they are required to deliver the overall Growth Deal programme of outputs.
 7. The LEP's Transport Strategy and Strategic Economic Plan highlight the importance of addressing the transport constraints in Hereford and identifies the South Wye Transport Package as a key project. It is proposed that the Marches LEP take part in the stakeholder panel of the Review as requested in the letter of 17/01/2020.

Financial implications:

- £3.748 m of Growth Deal funds has been spent on the development of the project to date. £2.146m was awarded by DfT to support project development costs whilst £1.6m was given as a repayable grant by the LEP to Herefordshire Council to cover costs it had incurred on developing the SWTP project. This was done to support the LEP in managing the overall Growth Deal spend profile and Herefordshire Council agreed to take these funds on the agreement that the £1.6m would be deducted from payments due to Herefordshire Council when the SWTP project got fully underway.

Legal implications:

- The LEP team will need to seek advice on implementing the termination and clawback clauses of the funding agreement.

Risks, opportunities and impacts:

- To mitigate the risk of the project not proceeding leading to a large underspend on the LEP Growth Deal programme the Board took the decision on 7 November 2019 to issue a capital project call for expressions of interest from partners. The outcome of this project call is a matter for discussion at Agenda item 6f.

Consultation:

- The LEP's Transport Strategy and Strategic Economic Plan highlights the importance of addressing the transport constraints in Hereford and identifies the South Wye Transport

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Package as a key project. It is proposed that the Marches LEP take part in the stakeholder panel of the Review as requested in the letter of 17/01/2020.

Appendix 1 - Letter of 17/01/2020 from Herefordshire Council