

Coast to Capital

Meeting: Coast to Capital Investment Committee Meeting
Date: 19 December 2019
Report Title: High Risk Report
Report by: Cali Gasson
Item No: 4

Recommendation:

The Investment Committee is asked to:

1. To **approve** the list of high risk projects and the necessary actions to formally note or recommend to the Board for Approval in January 2020.
2. To **approve** Deeds of Variation on projects which have had slight changes in scope or output delivery.
3. To **note** projects that pose future risks as part of Horizon Scanning.

1. Current High Risk Projects

Project Name	Total LGF Award	Risk Rating	Recommendation
Unlocking Housing in North Tandridge	£4.94million Funding agreement in development.	R	<p>The answers to the KLOEs have resulted in recommending a 'watch and wait' approach.</p> <p>The project has been recommended a RAG rating of Red by the Investments team, due to the following reasons;</p> <ul style="list-style-type: none"> • A funding agreement was in development with Surrey County Council, for the joint project with Tandridge in 2018/19 financial year, with the Delivery Body due to draw down the full £4.94million. • This has been delayed by TDC as the conservative majority was lost, and the council has moved into a hung political leadership. • The council were therefore not able to confirm their support for the relocation of the recycling centres in the public domain, and has resulted in the funding not being drawdown. • TDC have now confirmed their commitment to the delivery of the original business case outputs only within their control.

			<ul style="list-style-type: none"> • SCC have then also confirmed their commitment to delivering the recycling centre, and have confirmed that the recycling centres can be delivered without having to run through the TDC planning process. • Coast to Capital are now awaiting a new revised funding profile from SCC, and it is likely that the majority of the funding will not be physically spent until late 2019/20. • It is therefore recommended that flexibility funding is issued to ensure the full LGF allocation is released as per the accrual, with expenditure reporting forecast by March 2021. This would allow the project risk to also drop to Amber with close monitoring required. <p>Recommendations:</p> <ul style="list-style-type: none"> • To agree flexibility funding of up to £4.94million and the project risk drop to AMBER. Once the funding agreement is finalised, the risk rating can be reviewed.
Blackrock	£12,111,101 Funding awarded agreement issued.	AR	<p>The answers to the KLOEs have resulted in recommending a 'close monitoring' approach.</p> <p>The project has been recommended a RAG rating of AMBER/RED by the Investments team, due to the following reasons;</p> <ul style="list-style-type: none"> • In 2017/18, £6.7million of LGF funds were given to the Delivery Body as flexibility release, which is now being reported back to the scheme. • Until the Development Agreement turns 'unconditional' and the site becomes viable, there is risk that the full scope and outputs of the project will not be delivered. • There is political desire to deliver this scheme, but with the current decline in retail, there is further appraisal work and financial modelling that needs to be conducted. • BHCC and the developer have been looking at the scope of the project, and how best to spend the LGF funding with the desired outputs. • It is still believed that the remaining LGF allocation can be fully spent by March 2021 on remediation works, but more clarity is required as to what it will be spent on. • The Committee will hear updates on the scheme at the December meeting, and can then decide upon necessary actions along with a risk rating subject to information given. <p>Recommendations:</p> <ul style="list-style-type: none"> • To agree any actions and the revised risk rating following an update presentation given to the Committee by BHCC.
		AR	<p>The answers to the KLOEs have resulted in recommending a 'close monitoring' approach.</p> <p>The Investment Team has recommended that the RAG rating remains as AMBER/RED, due to the following reasons;</p>

Valley Gardens Phase 3	£6,000,000 Funding agreement in Development		<ul style="list-style-type: none"> • After due-diligence, the Board approved the project and its funding at its October meeting. • A funding agreement is currently being drafted with BHCC. However due to the lengthy delays in getting relevant approvals, the scheme is now almost a year behind schedule, and therefore funding is severely at risk. • BHCC have informed the LEP that delays will likely result in a project underspend by March 2021. • As the delays are through no fault of their own, and were subject to varying representations, it is recommended that flexibility funding or funding re-profile is approved, to ensure no further delays are caused to the scheme. • If flexibility is agreed, then the project risk rating can decrease to Amber. <p>Recommendations:</p> <ul style="list-style-type: none"> • To agree delegated authority to the CEO to finalise the required flexibility funding or re-profiling to the project. To agree that the project risk can drop to AMBER.
Fiveways Croydon	£3,250,000 Funding awarded and agreement issued.	AR	<p>The answers to the KLOEs have resulted in recommending a 'watch and wait' approach.</p> <p>The project has been recommended a RAG rating of AMBER/RED by the Investments team, due to the following reasons;</p> <ul style="list-style-type: none"> • TfL were awarded with £3.25million in 17/18, and to date have spent £1.69million. • In November 2019, the LEP were informed that TfL are having an internal review of their strategy in early January 2020 and that this could lead to implications for the Fiveways scheme, by potentially delaying or stopping it for a prolonged period of time. • If this happens, then the funding already spent would be repayable and the remaining monies unspent would need to be clawed back and re-allocated. • We are due a formal update in January when a decision has been made, and for this reason, the project is high risk until further information is provided. • It should be noted, that we do have a strong pipeline in place and therefore re-allocation of monies is not a problem at this stage. <p>Recommendations:</p> <ul style="list-style-type: none"> • To agree the RAG rating of AMBER/RED, and to wait for an update at the March 2020 Investment Committee meeting following discussions with TfL.
		AR	<p>The answers to the KLOEs have resulted in recommending a 'watch and wait' approach.</p> <p>The project has been recommended a RAG rating of</p>

New Monks Farm	£5,710,384 Funding agreement in Development		<p>AMBER/RED by the Investments team, due to the following reasons;</p> <ul style="list-style-type: none"> • This project was awarded with £5.7million in June 2018. • There were previous delays due to the SoS having to take a decision whether or not to 'call in' the project, but it was decided that the project could proceed. • Since October 2019, Coast to Capital have been awaiting the draft funding agreement, and chasing the Council to submit along with claims, as the full £5.7million is due to be spent in 19/20. • Negotiations with WSCC are still being had around the S106 agreement, which is one of the reasons for further delay. • For this reason, the project has been rated as AMBER/RED, and a formal update will be given to the Committee at its December meeting. • The Committee can then decide upon necessary actions along with a risk rating subject to information given. <p>Recommendations:</p> <ul style="list-style-type: none"> • To agree any actions and the revised risk rating following an update presentation given to the Committee by WBC.
Decoy Farm	£4,844,440 Funding agreement in Development	A	<p>The answers to the KLOEs have resulted in recommending a 'watch and wait' approach.</p> <p>The project has been recommended a RAG rating of AMBER by the Investments team, due to the following reasons;</p> <ul style="list-style-type: none"> • This scheme was approved at the December 2018 Investment Committee. LGF draw-down was expected to start this year, and once the remediation works are complete Worthing Borough Council will look to develop the rest of the site. • There have been some delays to the scheme, and it is now likely that the in-year spend targets will not be hit, and funding may need to be re-profiled, or flexibility funding to be provided. • For that reason, Worthing Council are giving a formal update to the committee at its December meeting, to allow necessary actions and a revised risk rating to be confirmed. <p>Recommendations:</p> <ul style="list-style-type: none"> • To agree any actions and the revised risk rating following an update presentation given to the Committee by WBC.
Brighton Royal Pavilion	£3,000,000 Funding fully spent.	AG	<p>This project has drawn-down the full LGF allocation, but has current delays to physical delivery, matched funding, and output creation due to the contractor going into liquidation and works on site completely stopping. The Delivery Body are giving a Delivery update to the Committee at its December meeting, with no outstanding recommendations.</p>

2. Outputs

The following projects have highlighted slight changes in output creations, and therefore the Investment Committee are recommended to **agree** these changes and allow the projects to either now close, or continue with a Deed of Variation if required.

Plumpton College: Estate development works are ongoing and almost complete, but a recent audit review/project update has highlighted that additional student numbers have the potential to be lower than original forecast within the funding agreement; from 800 to 278. This is due to an overall decline in student numbers across the college, following a trend across the region. The project has been successful in meeting or exceeding all other outputs including 83 jobs, 1430sqm commercial space, 247 apprentices, and 250 enterprises supported. For this reason, the Investment Committee are recommended to **approve** this reduction as the VFM is still good. Additionally, there is a good chance that student numbers will increase above the 278 by 2021, and will be fully reported via a project evaluation

Shoreham Port: The Shoreham Port project is well underway with the main refurbishment works at Maritime House nearing completion. Following recent market testing, it was found that the demand for additional space at the site next to Maritime house was lower than originally anticipated, and therefore works are now progressing on a smaller scale. For this reason, the number of enterprises receiving non-financial support will decrease from 75, to 40. However, there has been 49 additional jobs created to date at the main site, and therefore the Investment Committee are recommended to **approve** this reduction.

Crawley Queens Square: The total number of jobs created by the Queens square scheme has reduced from 300 to 171. This is due to the original funding agreement outcomes counting Part time employment as Full time employment. Overall the scheme has demonstrated good VFM with commercial space exceeding by 2,811, and high part time employment still being created. Therefore the Investment Committee is recommended to **approve** this reduction to enable project closure.

Newhaven Flood Defences: Due to the recent boundary changes of 'homes protected' between the various flood defence schemes under the 'Ouse to Seaford Strategy', it has meant that the number of 'Housing arising from flood protection' that the Newhaven Flood Defences are able to report on has decreased from 1060 to 494. The original housing protected figure will still be achieved, but will be picked up by other local schemes. Therefore the Investment Committee are recommended to **approve** this reduction.

3. Horizon Scanning

Project Name	Comments
A29	The Board approved funding of £9.9million for phase 1 in October 2019, and a funding agreement is currently being developed. The LEP have been sitting on project board meetings to try and speed up timescales and provide support to ensure full LGF allocation is drawn down prior to the end of March 2021, and there will need to be regular close monitoring on the scheme to ensure that Phase 2 comes forward as a viable scheme in order for the outcomes of the project to be successful. For this reason, the project risk will remain on the Horizon scanning until the LEP has confirmation of the delivery of Phase 2.
A2300	The Board formally approved this scheme in July 2019 and DfT have been informed of the decision along with raising a few risk areas from the Local Partnership report that was commissioned. The Project will now have a likely delay due to the election, and DfT will be able to confirm the approval process in early 2020. If there are no big political changes to funding this type of project, the scheme will continue as planned, and for that reason the project will remain on our horizon scanning until further information from DfT is received.
Horley Business Park	The Investment Committee agreed a funding agreement to allow release of the remainder of the LGF funds and the agreement is being finalised. The Delivery Body have informed us that most of their LGF expenditure can be drawn down in this financial year, but delivery of outputs is likely to come forward in future years. For this reason the project will remain on the Horizon scanning.
A284	Planning permission is still required for the scheme, and a key parcel of land linking the new road to the road network needs to be acquired. In addition to this there are CPO's needed to complete the land acquisition and the process time for this and any potential public inquiry has been embedded within programme delivery. The LEP should continue to closely monitor the scheme and sit on monthly project board meetings.
A259	The project is experiencing slight delays, and although the full LGF allocation has been spent, the CPO undertaken by WSCC has now led to a public enquiry. Coast to Capital should continue to monitor the scheme and sit on monthly project board meetings to understand and ensure timescale does not slip to far outside out delivery window.
Railway Quay	Following an Audit review in November 2018 it was highlighted that there is a small risk in relation to the Railway Club which currently sits in the middle of the site. If the occupiers are not willing to move there could be issues for planning/construction. Therefore C2C should closely monitor this project to ensure scope and output delivery does not drastically change.
Novartis	The project has fully spent the LGF as part of the land acquisition, and has now received planning approval in 2019. Final design/planning will be able to outline exactly what outcomes are achievable and until this is clarified the project should remain on our radar.
Claire and James House	The outputs for this project will now combine with the wider transform leatherhead masterplan. For this reason the project will need to be carefully monitored with regular meetings and audit reviews to ensure this is the case.
Crawley Growth Programme	Due to the complexity of this programme, the project should stay on our Horizon scanning for regular project visit/monitoring.