

## Report to the Greater Birmingham & Solihull Supervisory Board

22<sup>nd</sup> February 2018

### GROWTH PROGRAMME UPDATE

#### Purpose of the report

To note and discuss the progress made in delivering the Growth Deal programme.

#### Recommendations

The Supervisory Board is recommended to:

- Note the project investment decisions made;
- Note the withdrawal of funding allocations from the One Station and Making the Connections projects; and
- Note progress made with the Programme Delivery Board 'Star Chambers'.

#### Programme Status

1. This report provides a brief status update of the GBSLEP Growth Programme. A full programme update will be provided at the next Supervisory Board meeting, following the review financial year Quarter 3 project monitoring reports.

#### *Project Investment Approvals*

2. The following project investment decisions have been made since the last meeting by the LEP Director under delegated authority:
  - Clean Air Hydrogen Bus Project (Birmingham City Council (BCC)) – FBC approval for £2.156m grant over 2017/18 and 2018/19 financial years (Appendix A);
  - Youth Skills and Enterprise Hub and Flagship Centre (Prince's Trust) – Full Business Case (FBC) approval for £627,203 grant in 2017/18 (Appendix B) – ratification of decision made by written procedure by the Supervisory Board on 29<sup>th</sup> January 2018;
  - Lichfield Southern Bypass (Staffordshire County Council) – Outline Business Case (OBC) conditional approval for £2.3m over 2019/20 and 2020/21 financial years (Appendix C); and
  - Aspirations for All (Sense) – FBC approval for £1.206m grant over 2017/18 and 2018/19 financial years (Appendix D).
3. In November 2017, BCC formally confirmed that they will not be continuing to pursue funding for the One Station public realm project. The project has been withdrawn from the programme and the conditional funding allocation (£3.5m) has therefore been removed. This funding withdrawal provides headroom to support the proposed Commonwealth Games contribution.

*Expenditure Profile*

4. The previously reported concerns that the spend forecast for 2017/18 is between £25m (100%) and £20m (75%) remain. As the programme enters the final quarter of 2017/18, financial slippage represents a key risk to the programme.
5. Following agreement by the last Programme Delivery Board, the LEP Executive has formally written to projects that appear to be of a higher risk of financial slippage to inform them of the risk of funding re-allocation and to seek reassurance over delivery. Initial responses have been received from all projects and are informing which projects are requested to attend the Programme Delivery Board project review meetings.

*Project Review Meetings*

6. The Programme Delivery Board is holding a series of project review meetings, or 'Star Chambers', to provide an opportunity to hear directly from these higher risk projects and determine appropriate actions.
7. The first Star Chamber meeting was held in January 2018, where Longbridge Connectivity (BCC), Making the Connections public realm (BCC) and Longbridge Park & Ride (West Midlands Combined Authority) projects presented and were discussed. The need to meet the agreed financial profiles was reinforced by the Programme Delivery Board. Both the Longbridge Connectivity and Longbridge Park & Ride projects agreed to provide reassurance concerning this.
8. The Programme Delivery Board agreed to withdraw the conditional grant allocation (£6.8m) from Making the Connections, with the exception of project development funding (£0.592m). The project will now be re-assessed for strategic fit at FBC stage and compete with other Growth Deal 3 projects seeking funding. The funding withdrawal was felt necessary primarily due to the extensive delays in progressing with project development to date. It was agreed that withdrawal of funding should be considered for any projects that are no longer delivering agreed outcomes to agreed timescales.

*Additional funding secured*

9. The LEP Executive has been supporting Wyre Forest District Council since March 2017 to access potential funding opportunities with Government for the Churchfields Urban Village project in Kidderminster. The strategic pipeline project was awarded £2.7m of funding through the Housing Infrastructure Fund (HIF) on 1st February. This reduces the estimated GBSLEP funding request by £2.7m to c.£2m at present.

**Conclusions**

10. The report briefly outlines recent actions taken to mitigate financial slippage in 2017/18, whilst ensuring projects that support economic impact continue to move into delivery. A full programme update will be provided at the next LEP Board meeting, following the review Q3 project monitoring.

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Date: 14<sup>th</sup> February 2018

## Appendix A

### Report to the Greater Birmingham & Solihull Supervisory Board

### Project Approval Report

### Clean Air Hydrogen Bus Project

22<sup>nd</sup> February 2018

## Recommendation

The Supervisory Board is recommended to note the:

- Approval of the capital grant of £2,156,000 (two million, one hundred and fifty-six thousand pounds) of Local Growth Funding (LGF) towards the Clean Air Hydrogen Bus Project, made by the LEP Director under delegated authority and in accordance with the GBSLEP Assurance Framework.

## Background

1. The Clean Air Hydrogen Bus (CAHB) project was granted entry into the Local Growth Fund programme by the LEP Director on 12 October 2017. The final Full Business Case (FBC) for the project was recommended for approval by the GBSLEP Programme Team, and approved by the LEP Director on 11 December 2017. Birmingham City Council is the applicant and will be the Grant Recipient.
2. The scheme is a pilot project, and seeks to deliver the first 100% zero emission hydrogen buses in the GBSLEP area by March 2019. Delivery of the buses is part of an integrated strategy that aims to kick start the hydrogen market (supply and demand) within the area.
3. The CAHB project will purchase 22 hydrogen buses to run on two routes within Birmingham. LGF monies, which amount to about 20% of the total project cost, will fill a funding gap to purchase the buses.
4. The CAHB project is integrated with the LGF-supported Tyseley Energy Park (TEP) Access Road project. The CAHB project will therefore provide the first vehicle market (i.e. the hydrogen buses) to use the hydrogen that will be produced and dispensed at TEP. This will provide a kick-start for new supply chain business such as bus servicing and maintenance and new education and apprenticeship / training facilities.
5. The key benefits of the project include: transformational change by providing proof of concept for hydrogen buses across a major growth corridor; improved connectivity and reduced congestion; commercial and affordable buses which produce no tailpipe emissions thereby significantly improve air quality; testing of a way forward to fully decarbonising public transport; provision of buses with the same range and operational flexibility as a diesel bus; enabling Birmingham to move towards compliance with UK and EU air quality regulations (BCC will be fined over £60m if not compliant by 2020).

6. The Full Business Case was received by the GBSLEP Programme Team and reviewed by the Independent Technical Evaluator (ITE) in September 2017. Amendments were then submitted in October to December 2017. The final clarification document, collated on 11 December 2017, requests an LGF funding contribution of £2,156,000 to deliver the project. The total project cost is stated as £11,000,000. This is for the purchase of the hydrogen buses only, and excludes other costs (e.g. hydrogen supply infrastructure).

## Case for change

7. The scheme is a pilot project, and seeks to deliver the first 100% zero emission hydrogen buses in the GBSLEP area by March 2019. Delivery of the buses is part of an integrated strategy that aims to kick start the hydrogen market (supply and demand) within the area.
8. GBSLEP funding will be used as a contribution to secure the following direct deliverable:
  - 22 hydrogen buses
9. GBSLEP funding will also help to secure the following indirect benefits:
  - Develop the commercial viability of hydrogen as a zero emission transport fuel by deploying up to 22 hydrogen buses which provide the biggest demand user for hydrogen as a fuel.
  - Kick start a hydrogen market within Birmingham
  - Provide immediate zero emission impact on identified route that exceeds the air quality legal limits by substituting up to 22 diesel buses with up to 22 hydrogen buses.
10. The GBSLEP Programme Team is aware that this is a pilot project, and comes with a number of areas of uncertainty. As such Aecom, as our ITE, has stated that the overall position that the strategic case for the scheme is robust, but there remains an inherent risk of failure to deliver the desired economic, commercial, and environmental outcomes.
11. It is the view of the LEP Programme Team that, given the nature of the project as a pilot, these risks are acceptable.

## State Aid

12. The project has taken advice in relation to State aid, and this advice indicated that the project structure aligns with Article 25 of the General Block Exemption Regulation 651/2014 1 as being State aid for research and development projects..

## Funding Profile

13. The funding profile in relation to the purchase of the buses is as follows:

<b>Bus purchase contribution:</b>	<b>2017/18</b>	<b>2018/19</b>	<b>Total</b>
GBSLEP	431,200	1,724,800	2,156,000
<b>Total bus purchase cost:</b>	<b>3,200,000</b>	<b>7,800,000</b>	<b>11,000,000</b>

## Conclusions

14. The CAHB project is integrated with the LGF-supported Tyseley Energy Park (TEP) Access Road project. The CAHB project will provide a kick-start for new supply chain business such as bus servicing and maintenance and new education and apprenticeship / training facilities, as well as providing the first vehicle market to use the hydrogen that will be produced and dispensed at TEP. The GBSLEP Director approved the allocation of £2.156m LGF capital grant funding for the project on 12 December 2017.

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## Appendix B

### Report to the Greater Birmingham & Solihull Supervisory Board

### Project Approval Report

### Prince's Trust Youth Skills and Enterprise Hub and Flagship Centre

22<sup>nd</sup> February 2018

#### Recommendation

The Supervisory Board is recommended to note the:

- i. Approve the capital grant of £627,203 (six hundred and twenty-seven thousand, two hundred and three pounds) of Local Growth Funding (LGF) to the Prince's Trust for the delivery of the Prince's Trust Youth Skills and Enterprise Hub and Flagship Centre for Birmingham & Solihull.

#### Background

15. In April 2017, the Prince's Trust submitted an Expression of Interest (Eoi) to the GBSLEP for funding support to deliver Youth Skills and Enterprise Hub and Flagship Centre for Birmingham & Solihull project. This Eoi was received as part of the Growth Deal 3 pipeline development. After a series of clarifications with the project sponsor, the Eoi was assessed as a 'B' strategic fit against the Strategic Economic Plan 2016-30 (SEP), in September 2017.
16. Following this strategic fit assessment, the project was invited to bypass the Outline Business Case stage and progress direct to the submission of a Full Business Case. This was agreed due to the high level of the readiness of the project to commence delivery and the relatively small amount of funding being requested.
17. The Full Business Case was submitted in November 2017, requesting LGF grant contribution of £627,203 in the 2017/18 financial year only, against a total project cost of £2,454,773. The Prince's Trust has secured £1,827,570 of match funding from private sector support and charitable donations.
18. The FBC underwent an Independent Technical Evaluation (ITE) and was recommended for approval in December 2017. The ITE role was undertaken by the LEP Programme Team and an appropriate level of independence were in place, as per the GBSLEP Assurance Framework.
19. The LEP Director approved the project, in line with the scheme of delegation, on 20<sup>th</sup> December 2017.
20. The process followed is compliant with the GBSLEP Assurance Framework.

## Case for change

21. The Prince's Trust plan to create a Young People's Skills & Enterprise Hub in the Beorma Quarter, Birmingham with the aim of up-skilling and supporting unemployed young people into jobs directly or through start-up businesses.
22. The Prince's Trust are a well-regarded charity with an established track record in delivering support to disengaged young people, as evidenced by an independent evaluation in 2016. They currently operate from two sites in Birmingham and these premises are no longer considered fit for purpose.
23. The project aims to refurbish the Cold Store - a currently unused Grade II listed building in Digbeth - to create a Young People's Skills & Enterprise Hub. The Hub will become a modern facility, where the Prince's Trust aim to up-skill over 7,700 learners and support at least 700 unemployed young people into jobs directly or through start-up businesses in the first 3 years of operation. The Hub will then up-skill 3,000 learners per year thereafter.
24. The programme to be delivered at the Hub aims to:
  - a. make a positive and measurable impact on 16-24 and adult unemployment and contribute to reducing the claimant count across the area;
  - b. meet current and future skills needs and support growth industries and sectors within the area through working with corporate partners; and
  - c. use the supply chains of corporate partners to seek to create more specific job pathways and to engage business start-ups with more supply chain opportunities via networking and workshop sessions.
25. The project strongly aligns with the GBSLEP SEP priority of increasing skills and reducing unemployment and also supports the delivery of major regeneration opportunities within the area.
26. Princes Trust has secured £1,827,570 in private sector funding and is seeking £627,203 LGF to complete the refurbishment and fit out of the building
27. The following net additional direct/indirect outputs are identified within the Full Business Case between 2018-2021:

Description	Project Outputs
Learning floorspace created (gross)	1,427m <sup>2</sup>
Learners supported to gain new skills	7,750 in first 3 years 3,000 per year thereafter
Young people into jobs	208
Young people supported to start up in business	40

In addition to the above, the number of learners assisted per year (achieving NVQ3+) will be agreed with the Prince's Trust following the completion of a base lining exercise in 2018/19, to enable a realistic forecast to be determined.

28. The following funding profile is highlighted in the Full Business Case:

	2017/18 (£)	2018/19 (£)	2019/20 (£)	2020/21 (£)	Total (£)
<b>GBSLEP LGF</b>	627,203	0	0	0	627,203
<b>Match Funding</b>	1,773,743	53,827	0	0	1,827,570
<b>Total</b>	2,400,946	53,827	0	0	2,454,773

## Conclusions

29. The GBSLEP Director is asked to approve the award of £627,203 capital LGF grant to the Prince's Trust to support the delivery of the Youth Skills and Enterprise Hub and Flagship Centre for Birmingham & Solihull.

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## Appendix C

### Report to the Greater Birmingham & Solihull Supervisory Board

22<sup>nd</sup> February 2018

### Programme-Level Entry Decision - Lichfield Southern Bypass

#### Purpose of the Report

The Supervisory Board is recommended to note the:

- Granting of Programme-Level Entry and conditional allocation of £2,300,000 (two million, three hundred thousand pounds) of Local Growth Fund (LGF) capital grant funding towards the Lichfield Southern Bypass Project, made by the LEP Director under delegated authority and in accordance with the GBSLEP Assurance Framework.

#### Background

1. In September 2016, Staffordshire County Council submitted an Expression of Interest (EoI) for the Lichfield Southern Bypass project to GBSLEP for £4.35m capital grant. This identified a total funding gap of £8.7m that required LGF support across GBSLEP and SSLEP. GBSLEP worked with Staffordshire County Council to identify alternative funding and supported a bid into the Department for Transport's National Productivity Investment Fund (NPIF). The application into this fund for £5m was fully approved by DfT in October. Having secured this funding, the GBSLEP funding request has reduced to £2.3m.
2. The Cathedral City of Lichfield is a historically important visitor destination suffering with traffic congestion. The Local Plan for growth includes 6,000 new jobs, many in high-value industries, and 3,875 new homes, with more needed to address Greater Birmingham Housing Market Area issues. The Lichfield Southern Bypass construction includes the final 0.67km of a 2.3km bypass. The final phase links two A-roads via a rail underbridge and housing site distributor road.
3. Congestion delays are forecasted to increase with economic growth. Without the scheme, by 2041 there will be a more than four-fold increase in overcapacity queued time in the AM peak and an eight-fold increase in the PM peak. An incomplete bypass will create barriers for providing an efficient public transport system and convenient walking and cycle routes.
4. Earnings and measures of productivity lag behind in Staffordshire. Investing in infrastructure in a high-performing location like Lichfield will help address this issue, maximising the potential to increase productivity and enabling Lichfield to play its role in addressing Birmingham Housing Market Area issues.
5. The development of Lichfield Southern Bypass is expected to result in the following benefits:
  - Unlock 30,000m<sup>2</sup> office (2,500 jobs), 36,000m<sup>2</sup> retail (1,895 jobs) and 12ha employment (1,450 jobs) that are mainly high-value;
  - Enable 3,875 dwellings in the City by 2031, with 1,350 on Strategic Development Locations directly accessed by the bypass; and
  - Reduction in accidents generating benefits of £1.454m.

The final outputs attributable to the GBSLEP LGF investment will be confirmed at the FBC stage and will take account of any potential for double-counting with DfT reported outputs.

6. These benefits are expected to deliver substantial benefits amounting to £31.6m over a 60 year appraisal period. The majority of these benefits are in the form of travel time savings and associated changes in vehicle operating costs assessed as having a very high Benefit to Cost Ratio of 4.66:1.
7. Benefits will increase over time as the growth in traffic levels and associated congestion imposes greater travel costs on road users. Substantial benefits are realised in all modelled time periods, with the greatest proportion of benefits accrued during the PM peak where junctions are most congested.

## Funding Profile

8. Match funding has been secured and the scheme is expected to start construction in April 2018. The funding profile is set out below.

	2016/17	2017/18	2018/19	2019/20	2020/21	Total
<b>Capital funding (£000s)</b>						
<b>DfT funding (NPIF)</b>	-	-	2,000	3,000	-	5,000
<b>Staffordshire County Council</b>	-	190	-	-	-	190
<b>GBSLEP</b>	-	-	-	2,000	300	2,300
<b>Private Sector Match</b>	565	345	3,707	847	4,393	9,857
<b>Total capital cost</b>	565	535	5,707	5,847	4,693	17,347

9. These figures, other than the LGF allocation, may be subject to final revision as part of further project development work required to progress to FBC submission.
10. The conditional funding allocation will be subject to an approved FBC, which should be submitted to GBSLEP by the 30<sup>th</sup> March 2018.

## Conclusions

11. The Lichfield Southern Bypass will transform the area by relieving congestion, increasing highway efficiency and enabling housing. The Supervisory Board are asked to note the granting of Programme-Level Entry and conditional allocation of £2.3m LGF capital grant funding for the Lichfield Southern Bypass project over 2019/20 and 2020/21 subject to submission and approval of a Full Business Case.

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Project Champion

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## Appendix D

### Report to the Greater Birmingham & Solihull Supervisory Board

### Project Approval Report

### Aspirations for All at Touchbase Pears

22<sup>nd</sup> February 2018

## Recommendation

The Supervisory Board is recommended to note the:

- Approval of the capital grant of £1,205,936 (one million, two hundred and five thousand, and nine hundred and thirty-six pounds) allocation of Local Growth Funding (LGF) to Sense and Sense International for the development of Aspirations for All project at Touchbase Pears, made by the LEP Director under delegated authority and in accordance with the GBSLEP Assurance Framework.

## Background

30. GBSLEP's skills team has been directly engaging with Sense on this project for over a year. The project aims to enhance the flagship Touchbase Pears facility in Selly Oak, Birmingham in order to provide dedicated specialist support and facilities required to help people with congenital or acquired sensory impairments.
31. In October 2016, Sense submitted an Expression of Interest (EoI) to the Growth Deal 3 programme. The EoI was assessed as an 'A' strategic fit against our Strategic Economic Plan in January 2017 and invited to submit an Outline Business Case (OBC).
32. The OBC was submitted in June 2017, requesting an LGF grant allocation of £1.25m in the 2017/18 financial year only, against a total project cost of £2.5m. The OBC was reviewed by the Independent Technical Evaluator (ITE); through this process Sense reduced the project value to £1.206m (rounded) by removing the housing element from the scope of the project. As a result of the change of scope, the capital project was to be funded entirely by LGF, while recognising that Sense have already invested £12,474,714 in building the Touchbase Pears facility.
33. Following the ITE report of the OBC on 6 November 2017, the project received an approval from GBSLEP Director (conditional on the submission of its Full Business Case) and a conditional allocation of £1.206m.
34. Sense submitted its Full Business Case (FBC) on 8 December 2017. The ITE report for the FBC was received on 16 January 2018, with no 'critical' or 'important' concerns flagged up. Following that, Sense submitted its final FBC on 26 January 2018 with the budget of £1.206m as agreed previously.
35. The GBSLEP Director approved the allocation of £1.206m LGF capital grant funding for the project on 29 January 2018.

## Case for change

36. The project will help to 'purpose furnish' and fit out two floors of the new building for service delivery in the area of employment support, as well as providing revenue opportunities through social enterprise activities, space letting to other third sector partners, and opportunities for business and social enterprise start-up in the area of disability care and support. Sense has already invested £12.5m to build the centre.
37. The Sense A4A Project provides people who are deafblind and with other disabilities with the opportunity to experience the world of work through the provision of education, skills training work experience and bespoke work placements. The attendees will come from referrals from Sense service users, Jobcentre Plus, other charities, local companies and other organisations. The facility will also support the economic and social inclusion of the wider community in Selly Oak and beyond.
38. The outputs of the project will be as follows:

	Direct	Indirect
Quantitative	<ul style="list-style-type: none"> <li>Creation of 845m<sup>2</sup> of commercial, employment and training related floorspace.</li> </ul>	<ul style="list-style-type: none"> <li>50 sensory impaired people trained to be work ready</li> <li>200 volunteers trained to support sensory impaired people into and through employment</li> <li>200 sensory impaired people gaining NVQ 3 and above in a relevant qualification</li> <li>300 Local employers engaged and committed to recruitment through the A4A programme</li> <li>100 new apprenticeships created for volunteers and disabled service users</li> </ul>
Qualitative	<ul style="list-style-type: none"> <li>Enabling a major service delivery organisation to provide the basis for innovative collaborations and new models of provision.</li> </ul>	<ul style="list-style-type: none"> <li>Innovative ways to encourage and develop 'active citizenship' such as people with disabilities contributing to community activities, forming co-operatives, social enterprises and volunteering.</li> </ul>

## State Aid

39. Sense received legal advice on the risk of any grant funding being considered non-compliant State aid. The advice ascertains that the project falls under the category of Services of General Economic Interest, and is below the specified threshold of EUR15m.

## Funding Profile

40. The amount requested is £1,205,936, representing 100% of the total project cost; this however effectively supplements the £12,474,714 that Sense has already invested in land purchase and building construction. These costs include those incurred to date on the agreed scope of works.
41. The capital grant is allocated to the 2017/18 and 2018/19 financial years and the project is ready to start the works immediately, with an anticipated practical completion and handover date of August 2018.

## Conclusions

42. The Aspirations for All at Touchbase Pears directly addresses GBSLEP SEP commitment to increase skills and reduce unemployment in the area, whilst supporting local regeneration in an area supporting the Life Sciences sector. The GBSLEP Director approved the allocation of £1.206m LGF capital grant funding for the project on 29 January 2018.

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