

ITEM 11

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY

DATE: 23 SEPTEMBER 2022

REPORT TITLE: INVESTMENT FUND DELIVERY ASSURANCE

**DIRECTOR: RICHARD ENNIS, DIRECTOR OF INVESTMENT
AND CORPORATE SERVICES**

**AUTHOR: PETE DAVIS, HEAD OF GRANT MANAGEMENT
AND ASSURANCE**

Purpose of Report

1. To review changes to schemes within the Investment Fund programme against the agreed delivery assurance principles

Recommendations:

The Committee is asked:

- 1) To approve the change requests for schemes within the current programme as set out in Appendix 1.
- 2) To approve the change requests for schemes within the current programme as set out in Appendix 2, subject to review and endorsement by the Programme Review Board.
- 3) To delegate the approval of the updated Full Business Case for QTIC+ and formalising a set of staged payments linked to delivery of the project to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils.

Voting arrangements

Decision requires majority agreement of Committee Members in attendance, or their substitutes (one vote representing each Authority) and including the West of England Combined Authority Mayor.

Delivery Assurance and Budgetary Principles

2. The Combined Authority Committee agreed to delegate approval of changes within stated tolerances for schemes within the approved Investment Fund programme to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils. The changes which fall outside of these tolerances require a Committee decision.
3. At the Combined Authority Committee meeting in July a set of delivery assurance and budgetary principles were agreed to drive the delivery of projects and good practice. Key to the application of these principles is the establishment of a Programme Review Board comprising the Combined and Unitary Authority S73/S151 officers and Directors. This Board will oversee overall programme management and identify and agree which projects require review and support to improve delivery, provide overall strategic direction for the recovery of the project, help to resolve conflicts and manage risks, and promote learning and the sharing of practice. The inaugural meeting of the Review Board will be held in September.
4. The change requests received for consideration by Committee are summarised below and set out in detail in Appendix 1 and 2. These have been considered against the agreed budgetary principles, and in particular those below:
 - *Where there is delay, it should not be assumed that funding can automatically be moved between years, or that if significant change occurs that funding automatically continues. A full impact assessment would need to be undertaken to ensure the financial and contractual impacts are clearly understood prior to final decision by the Committee.*
 - *Where projects are stalled or significantly delayed, redeploying those resources to projects that will provide more certain or immediate benefits should be considered.*
 - *For projects over a certain threshold with significant delays or cost increase, where there is no consensus amongst the Programme Review Board on whether to agree to the change or delay, then a separate report to the Combined Authority Committee will be prepared setting out the pros and cons.*
 - *All material changes to budget or profile should be challenged by the Programme Review Board. Formal submission of change requests should be preceded by updates and early warning, in order that the change and options can be understood and agreed.*
 - *Where programme delays are reported, change requests should set out the full extent of delays since that at original approval, and not just the latest change, together with the mitigation that has been, or will be, undertaken to avoid any further delays in future.*

5. The following projects seek changes to their funding within the current investment period to 25/26. Given the scale, it is proposed that these changes are approved.
- **Workforce for the Future** – an additional £71k sought to align staff resources with the project end date for audit and closure of March 2023.
 - **Electric Vehicle Charging Infrastructure** – additional £100k funding sought from the Green Recovery Fund to develop a separate Car Club EV Charging Business Case and to support an application for local electric vehicle infrastructure (LEVI) funding.
 - **Cribbs Patchway New Neighbourhood Cycle Links** – project delivered £150k under budget.
6. As shown in Appendix 2, the following projects report delay of 6 months or over to key milestones and/or the reprofiling back of funding over £100k into later financial years. These changes are recommended for consideration by the Programme Review Board. As above this process to include an action plan setting out the basis of the decision including:
- The reason for the delay or need to reprofile back funding
 - The actions undertaken to address this
 - The responsible officer for the project
 - Further action required and when this will be undertaken.

Project	Promoter	Delay to Milestones	Reprofiling Back Funding £000s
Midsomer Norton High Street Market Square	B&NES	12	895
Reboot West	BCC	6	-
The Coach House BAME Enterprise Hub	BSWN	7	-
Tap On Tap Off	CA	-	222
Bristol Temple Meads Eastern Entrance	CA	10	-
Innovation for Renewal and Opportunity	CA	6	421
Bus Strategy Programme	CA	7	-
Jobs Connect	CA	12	-
Culture and Creative Recovery Programme	CA	-	130
Cultural Compact Start-Up Investment	CA	6	120

Integrated Transport Authority Function	CA	-	300
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- The projects shown in Appendix 1, report delay to key milestones and/or the reprofiling back of funding which based upon scale, being below the above tolerances, are recommended are approved:

Quantum Technologies Innovation Centre+ (QTIC+)

- The business case for the QTIC+ project, which will sit within the CM1 building in the Temple Quarter Enterprise Campus (TQEC), was conditionally approved with funding of £34.974m to the University of Bristol (UoB) in October 2019. At that time the start on site was expected in September 2020 with completion in September 2023. In March 2021, the Committee approved a revision to the programme with start deferred until March 2023 and completion to the 24/25 academic year. An additional change request has now been submitted by UoB reporting further delay of 2 years, which would push opening back to the 26/27 academic year with the proposed reprofiling back of some £25m of funding which was expected to be drawn down in 20/21-21/22 to 23/24-26/27.
- At the Committee meeting in July it was agreed that the change request would not be accepted at that time, but that further clarity would be sought from UoB on the progress made to date, including pilot quantum and innovation based activities, together with the reasons for the current delay and the mitigation actions in place to ensure the revised programme and spend profile are robust.

Project Update

- It is recognised that Quantum technology is strategically important with huge growth potential and QTIC will give the region competitive advantage. The importance of quantum is recognised nationally, with government strategies citing it as one of a few 'transformative' technologies. Alongside QTIC, the West of England has other assets too, through our £5m investment in the Digital Engineering Technology and Innovation (DETI) project, the region has demonstrated the UK's first Quantum Key Distribution Network in partnership with BT, Toshiba and the National Composite Centre. The Institute of Coding, led by University of Bath, is delivering new courses in quantum. Taken together, we have the potential to be a national and global leader.
- The project has already made tangible progress on quantum with our support, and through temporary facilities UoB report they have supported around a third of all quantum technology start-ups in the UK to date, which are attracting significant investment, and 229 new high value jobs have been created in the region. UoB report the level of investment to date as £10m.
- The QTIC facility sits within the Temple Quarter Enterprise Campus, but the importance of this Campus goes well beyond just quantum. The investment by the Combined Authority could act as a catalyst for the wider Enterprise Campus which will be pivotal both regionally and nationally, and potentially the most significant and important innovation asset for the next decade. This includes

other clusters of innovation activity like the Digital Futures Institute, My World Creative Technology Campus and Science Creates. The inward investment and job creation potential for having this ‘anchor’ at the heart of the region is substantial.

Funding

13. The QTIC+ project is co-funded by UoB and the Combined Authority. UoB have already invested more than £85m from their own resources in the CM1 building, £10m of which is directly attributable to QTIC+. Going forward the current proposal is that the QTIC+ funding would be drawn down at some 50% of spend over the period until completion (as shown in the table below). In addition, UoB have borne the TQEC cost increases, with CM1 costs rising by over £70m between 2019 and 2022, arising from a variety of reasons including building regulations and increased risk transfer by contractors, Brexit, the Coronavirus and inflation, working to a fixed Combined Authority funding contribution. This has involved value engineering to seek to minimise some of this impact and bring the TQEC back to an affordable position. The UoB Board of Trustees reaffirmed unanimously their commitment to progress the CM1 development at their meeting in February 2022.

	To Date	22/23	23/24	24/25	25/26	26/27	Total
£m	75.2	11.7	51.5	115.1	108.7	10.4	372.5
QTIC Spend	10.0	2.3	10.9	26.1	26.3	3.1	78.6
Total CM1 Spend	85.2	14.0	62.4	141.1	134.9	13.5	451.1
QTIC equipment	2.0						2.0

14. On the basis of the above, it is recommended that an updated business case is sought for the QTIC+ project reflecting the changes since the original submission in 2019. This business case should clearly set out the programme for the delivery of the project and the way in which risks of further delay are being mitigated.
15. In line with the investment principles agreed at the Committee meeting in July, there is a desire to move to a larger proportion of funding to be awarded on a repayable basis. The option to convert the QTIC+ grant funding to a loan, or equity-based loan, have been explored. However, from the information provided by UoB it appears that there is very limited scope for any repayment, with the project producing a deficit, as shown below in the profit and loss account with the funding as a loan. The continuation of funding as grant keeps the project above water but in order to drive delivery to key milestones, payments will be in arrears to maximise interest accrued by the Combined Authority on the balance held. The Committee may wish the Chief Executives to consider ways to incentivise this delivery where there is a financial downside to the UoB in the event of non-delivery to these milestones.

£m	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35	35/36	Total
Net income after investment	(2,154)	(1,559)	(1,198)	(1,409)	(1,408)	(1,455)	(1,476)	(1,455)	(1,641)	(1,548)	(15,304)

16. To ensure the project remains on track it is proposed to establish a set of staged payments, paid in arrears and linked to delivery. The current milestones for the project are shown below. Further dialogue with UoB is required to provide a more granular breakdown of spend and payments against these, and other milestones for the build. A delegation to the Combined Authority Chief Executive in consultation with the Chief Executives of the constituent Councils is sought to approve the updated business case and formalise these staged payments varying the current funding agreement with UoB. Should it not be possible to agree arrangements with UoB a report will be brought back to this Committee. The headline milestones are below but there will need to be agreement on key milestones between 2023 and 2026 that relate to payment and ensure the project is incentivised to deliver.
17. The scheme will fall in line with the recently agreed delivery assurance principles and given the financial value, any delay to the revised programme of more than 3 months will be considered by the Programme Review Board, and reported to the Committee with recommended actions.

Milestone	Date
Contract Award	March 2023
Start of main works	April 2023
Practical Completion	May 2026
Operational	Sept 2026

Other actions

18. Whilst recognising the work undertaken by the UoB in working towards contract award in March (the main contractor, SRM, has issued tender requests to sub-contractors for which responses are expected by November, with the final tender to be presented by SRM in January 2023), it will be important that UoB are now able to deliver to timetable based upon the revised proposal. It is therefore recommended that the Programme Review Board give attention to this project and report back to Committee should other issues or challenges materialise. The Combined Authority have been offered by UoB a seat on the Bristol Innovations Board, which will give more influence over the wider strategic opportunities coming through not just TQEC, but also ensure that connections are made with developments like DETI and the Institute of Advanced Automotive Propulsion Systems (IAAPS), with pervasive digital technologies linking all of these things up to make them greater than the sum of parts.
19. There is also a need for a comprehensive skills and training plan to underpin QTIC and the TQEC, reporting into Skills Directors. This is a clear priority for the Combined Authority, but as is often the case, can be underplayed in major innovation projects. Innovation is driven by people and through the funding partnership between the Combined Authority and UoB, we require that a joint plan is developed to ensure pathways are created into the many jobs to be created which will help us lever the skills portfolio to a greater effect.

Consultation

20. Engagement has taken place with officers in the West of England Combined Authority Constituent Unitary Authorities. Section 151 Officers across the region have been fully engaged as have the Chief Executive Officers in helping to inform the prioritised projects for investment.

Other Options Considered

21. All Change Requests are required to set out in detail the full range of options considered and the reason the preferred option has been identified. Specifically, to QTIC consideration has been given to a range of financial instruments such as loans, equity and equity-based loans.

Risk Management/Assessment

22. There is a risk that in the absence of Combined Authority funding for the QTIC+ project that the TQEC would not progress, or would not progress in its current form. There is also a dependency with the Bristol Temple Meads Eastern Entrance project which links into the Campus.
23. All projects underway will maintain a specific risk register as part of the project management and monitoring arrangements. Key risks are included in regular Highlight Reports.

Public Sector Equality Duties

24. The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
 - Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
25. The Act explains that having due regard for advancing equality involves:
 - Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
26. The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the

delivery of services, including policies, and for these issues to be kept under review.

27. For projects seeking funding through the Investment Fund scheme promoters are required to include as part of their Full Business Case, an equality and diversity assessment and plan. These assessments are published as part of the Business Case on the Combined Authority website.

Finance Implications

28. The financial implications of the change requests detailed within this report are affordable within the overall funding as previously approved by the CA Committee.

Advice given by: Richard Ennis, Interim Director of Investment and Corporate Resources

Legal Implications

29. There are no additional legal implications arising from this report.

Advice given by: Stephen Gerrard, Interim Monitoring Officer, West of England Combined Authority

Climate Change Implications

30. On 19 July 2019, the West of England Combined Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision making process.

Each report/proposal submitted for Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- The emission of climate changing gases?
- The region's resilience to the effects of climate change?
- Consumption of non-renewable resources?
- Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/ consideration as necessary as part of their detailed project-specific management arrangements.

31. Each business case coming forward for decision on inclusion in the Investment Fund programme includes consideration of environmental sustainability which

sets out how sustainability is being considered in the development of the project as well as during its operational stage.

Land /Property Implications

32. All land and property implications are set out within the specific business cases and dealt with by scheme promoters.

Advice given by: Richard Ennis, Interim Director of Investment and Corporate Resources

Human Resources Implications

33. There are no direct human resource implications arising from this report.

Appendices:

Appendix 1: Change Requests for Schemes within the Current Programme Recommended for Approval

Appendix 2: Change Requests for Schemes within the Current Programme Recommended for Approval Subject to Review and Endorsement by the Programme Review Board

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Appendix 1

Change Requests for Schemes within the Current Programme Recommended for Approval

- **Workforce for the Future** - request for an additional £71k to align staff resources with the project end date for audit and closure of March 2023. New total Investment Fund £4.171m, profiled as £194k in 19/20, £433k in 20/21, £1.097m in 21/22, £1.553m in 22/23 and £894k in 23/24.
- **EV Charging Infrastructure**
Scope: Due to the short timescales to progress to Full Business Case and deliver EV charging infrastructure, it has been recommended to develop a separate business case for the Car Club EV Charging.
Cost: request to draw down an additional £100k to further develop the Car Club EV Charging FBC [Revised profile £100k 22/23 and £100k 23/24, total £200k]
- **Cribbs Patchway New Neighbourhood Cycle Links** - project delivered £150k under budget. Revised profile £345k 19/20, £1.491m 20/21, £811k 21/22 and £28k 22/23, total £2.675m
- **Access for All Step Free Stations**
Spend: request for additional £459k of CRSTS funding to enable Network Rail to undertake more survey work prior to Full Business Case submission to ensure costs are robust. [Revised CRSTS funding £609k funding profiled in 23/24. Total Investment Fund £500K revenue and capital funding profiled as £3K revenue in 20/21, £36K revenue in 21/22, £250K capital in 22/23 and £211K capital in 23/24].
Milestones: addition of 3 new milestones, and delays to a number of existing milestones of 2-4 months including 4 months for Full Business Case and start consultation (to Feb 24).
- **Strategic Cycle Route connecting Thornbury with the A38 via Alveston**
Cost: Reprofile £63k from 21/22 to 22/23 [Revised profile £62k 21/22 and £63k 22/23 total £125k]
Milestones: Delay of 2 months for the submission of the Outline Business Case (to Apr 22).
- **Strategic Cycle Route connecting Yate with the East Fringe (Yate Spur)**
Cost: Reprofile £57k from 21/22 to 22/23 [Revised profile £68k 21/22 and £57k 22/23, total £125k]
Milestones: Delay of 2 months for the submission of the Outline Business Case (to Apr 22).

- **Local Cycling and Walking Infrastructure**
Spend: Reprofile £59K from 21/22 to 20/21 and 22/23 [revised profile £22K in 20/21, £21K in 21/22 and £57K in 22/23, total £100k] and reallocating funding between cost headings.
Milestone: Investment Strategy delayed by 4 months (to Dec 22)
- **Green Infrastructure** - 4 months delay to WaterSpace Connected Phase 1 Outline Business Case Delivery milestone (to Nov 22)
- **West of England Visitor Economy** - reprofiling £11k from 22/23 to 21/22 [revised profile £163k in 21/22 and £91k in 22/23, total £254k] and reallocating funds between cost headings.
- **Business Innovation Fund** - reprofiling £5K from 23/24 to 22/23 [revised profile £47k in 20/21, £87k in 21/22, £63k in 22/23 and £44k in 23/24, total £242k]
- **Masterplan North Fringe** - reprofiling £8k from 21/22 to 22/23 [revised profile £79k in 20/21, £194k in 21/22 and £227k in 22/23, total £500k]
- **South West Bristol Infrastructure Investment Plan** - reprofiling £27k from 22/23 and 21/22 to 20/21 [revised profile £112k in 20/21, £81k in 21/22 and £307k in 22/23, total £500k]

Appendix 2

Change Requests for Schemes within the Current Programme Recommended for Approval Subject to Review and Endorsement by the Programme Review Board

- **Midsomer Norton High Street Market Square**
Cost: Reduction in Historic England match funding of £17k.
Reprofiling of the entire funding forward one year - revised profile £45k 22/23 (capital), £775k 23/24 (£735k capital and £40k revenue) and £75k 24/25 (£65k capital and £10k revenue), total £895k
Milestones: Delay of up to 12 months for a number of milestones including project construction completion (to May 24), due to extended statutory consultation and negotiations with the Environment Agency, and the knock-on impacts for contractors.
- **Reboot West**
Scope: Overall 3% increase in the stretch outcome targets.
Milestones: Requested project extension to align with funding from the Youth Futures Foundation moving the project end date from Sep 24 to Mar 25.
- **The Coach House B.A.M.E Enterprise and Social Enterprise Hub**
Cost: Reduction of Heritage Lottery Fund match funding of £45,500.
Milestones: Delay of up to 7 months across all milestones including business case completion (to Mar 23) and response to planning application (Jul 23).
- **Tap On Tap Off** - reprofiling £222K from 21/22 to 22/23 and 23/24 [revised profile £239K in 21/22, £956K in 22/23 and £805K in 23/24].
- **Innovation for Renewal and Opportunity**
Spend: Reprofiling £421k from 22/23 to 23/24 and 24/25 [revised profile £345k 21/22, £2.064m in 22/23, £3.578m in 23/24 and £730K in 24/25, total £6.717m]
Milestones: 6 months delay to Influence Fund investment agreed (to Dec 22) and Angel Research completed (to Dec 22)
- **Bus Strategy Programme** - 3-7 months delay to 5 milestones for the Bristol City Centre project, including OBC submission (to Aug 23) and construction begins (to Jan 25)
- **Jobs Connect (West of England Talent Retention Platform)**
Milestones: 12 months delay to Project Review and Evaluation Report (to Jun 24) and Initial project end (to May 24).
Spend: Reprofiling £65K from 21/22 and 22/23 to 23/24 [revised profile £93k in 21/22, £37k in 22/23 and £70k in 23/24, total £200k].
- **Culture and Creative Economic Recovery Fund** - reprofiling £130k from 22/23 to 23/24 and 24/25 [revised profile £1.367m in 21/22, £503k in 22/23, £70k in 23/24 and £60k in 24/25, total £2m].

- **Cultural Compact Start-Up Investment**
Milestones: 6 months delay for two milestones including commission Cultural and Creative Skills Delivery Plan (to Dec 22) and Full Business Case submission (to Mar 23).
Spend: Reprofiled £120K from 22/23 to 23/24 [revised profile £100k in 22/23 and £170k in 23/24, total £270k].
- **Integrated Transport Authority Function** – reprofiling £300k from 22/23 to 23/24 and 24/25 [revised profile: 19/20 £224k, 20/21 £221k, 21/22 £165k, 22/23 £90k, 23/24 £150k, 24/25 £150k, total: £1m].