

Report to Accountability Board	Forward Plan reference number: N/A
Date of Accountability Board Meeting:	16 th September 2016
Date of report:	31 st August 2016
Title of report:	Capital Programme Management of the Local Growth Fund (LGF)
Report by	Rhiannon Mort, SELEP Capital Programme Manager
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1. Purpose of report

- 1.1 To update the SELEP Accountability Board on the latest position of the Local Growth Deal Capital Programme.

2. Recommendations

- 2.1. The Board is asked to:

- 2.1.1 Note the updated spend forecast for 2016/17 and future years of the LGF programme;
- 2.1.2 Note the forecast requirement for re-profiling of LGF spend between 2016/17 and future years of the LGF programme;
- 2.1.3 Note the LGF projects that have incurred changes under the 10% tolerance; and
- 2.1.4 Note the project deliverability and risk assessment.

3. Supporting documents

- 3.1 The following appendices are provided in support of this report:

- Appendix 1 - Financial monitoring
- Appendix 2 - Summary of forecast spend profile
- Appendix 3 - Project deliverability and risk assessment

4. SELEP Capital Programme

- 4.1 During the first year of the Local Growth Deal LGF programme, progress was made towards project delivery by all Federated Areas. In 2015/16, the federated areas reported a total LGF spend of £55.71m.
- 4.2 Mitigation was put in place to address LGF underspend across some LGF projects during the first year of programme delivery. This resulted in £12.66m being carried forward from 2015/16 to 2016/17, in accordance with Option 4 approved by the Accountability Board on 10.06.2016. Option 4 mitigation involved LGF monies being swapped out into local capital programmes in 2015/16 on the basis that local partners would then fund the spend in the following year. In addition to Option 4 swap of LGF, £1.08m skills funding was carried forward into 2016/17.

4.3 The total LGF grant funding for 2016/17 amounts to £96.00m. This includes 2016/17 LGF grant allocation of £82,270,227 and £13,738,778 brought forward from 2015/16.

4.4 The 2016/17 Q1 baseline LGF spend forecast showed a potential overspend of £2.47m between the total grant funding available and the 2016/17 project spend forecast.

5. Financial update

5.1 On the 24th August 2016, officers from each Federated Area attended the SELEP Programme Consideration Meeting to:

- Provide an updated spend forecast for 2016/17 and future years of the LGF programme;
- Discuss the project deliverability and risk assessment;
- Identify project changes to be brought to the attention of SELEP Accountability Board; and
- Consider mitigation to be implemented to address project risks.

5.2 Each federated area has provided an updated spend forecast as shown in Appendix 1 and as summarised in Table 1 below.

Table 1 Forecast Spend 2016/17 (£m)

	Confirmed 16/17 LGF Allocation	Option 4 / Skills Carry Forward - Spend on LGF	Total Planned Spend (as at Q1, 2016/17)	Total Planned Spend (as at Q2, 2016/17)	Over / underspend (Q2 forecast)
East Sussex		1.59	16.88	16.88	
Essex		6.36	9.70	8.91	
Kent		4.14	34.00	32.36	
Medway		0.00	5.77	4.77	
Southend		0.57	5.10	5.10	
Thurrock		0.00	12.95	9.35	
<i>Skills</i>		<i>1.08</i>	12.08	12.09	
<i>Housing Regen</i>			2.00	2.00	
Sub-Total	82.27	13.74	98.48	91.44	-4.55
Centrally Held and Retained	5.20	0.00	5.20	5.20	0.00
Total	87.47	13.74	103.68	96.66	-4.55

5.3 The revised spend forecast as captured in August 2016 indicates an LGF underspend in 2016/17 of £4.55m. A reduced 2016/17 LGF spend forecast has been reported for 11 projects across federated areas as shown in Appendix 1.

- 5.4 In total, the latest LGF spend forecast indicates a need for the re-profiling of £8.24m LGF spend between 2016 and future years of the LGF programme.
- 5.5 The backloading of LGF spend in Q3 and Q4 across the LGF programme in 2016/17 indicates the potential for further slippage in spend during this financial year.
- 5.6 It is recommended that Accountability Board note the forecast requirements for re-profiling of LGF spend. The Accountability Board approval will be sought at the next Accountability Board meeting for the re-profiling of LGF once opportunities have been sought to reduce the level of re-profiling required.
- 5.7 To help reduce the level of LGF underspend in 2016/17 opportunities will be sought to:
- Implement mitigation measures to address project issues which are currently leading to delayed programmes for project delivery and
 - Bring forward LGF spend on other projects in the LGF programme to enable the early delivery of projects and the associated scheme benefits.
- 5.8 In addition, LGF programme management by SELEP secretariat will capture more detailed information about spend of match funding sources, projects delivery milestones which have been achieved to date and project outcomes. This will help to present a more comprehensive view of LGF programme delivery and ensure that LGF project successes are more actively communicated.

6. Projects Changes

- 6.1 Under the Service Level Agreement in place between the SELEP Accountable Body and the County Councils and Unitary Authorities in the SELEP area, a 10% threshold exists for changes to LGF allocations. The Accountability Board approval is required where changes exceed the 10% threshold. If the change to LGF allocation is below this threshold, the Accountability Board must be notified of this change. All project changes are also reported to Central Government, as required under the current reporting requirements.
- 6.2 Table 2 shows the changes reported to Programme Consideration Meeting on the 24th August 2016/17.

Table 2 Scheme Changes made under the 10% tolerance level

SELEP Ref Number	Project Name	Project Area	Description	LGF Value of Project (£)	Value of Change to LGF allocation (£)
LGF00017	Folkestone Seafront : onsite infrastructure and engineering works	Kent County Council	Overspend on project	£5,033,000	£8,000
LGF00015	Kent Sustainable Interventions programme	Kent County Council	Underspend on project	£2,967,000	-£8,000
LGF00032	A414 Maldon to Chelmsford RBS	Essex County Council	Reduced total project cost from £4m to £3.5m. This releases £0.5m of Essex County Council match funding.	£2,000,000	No change

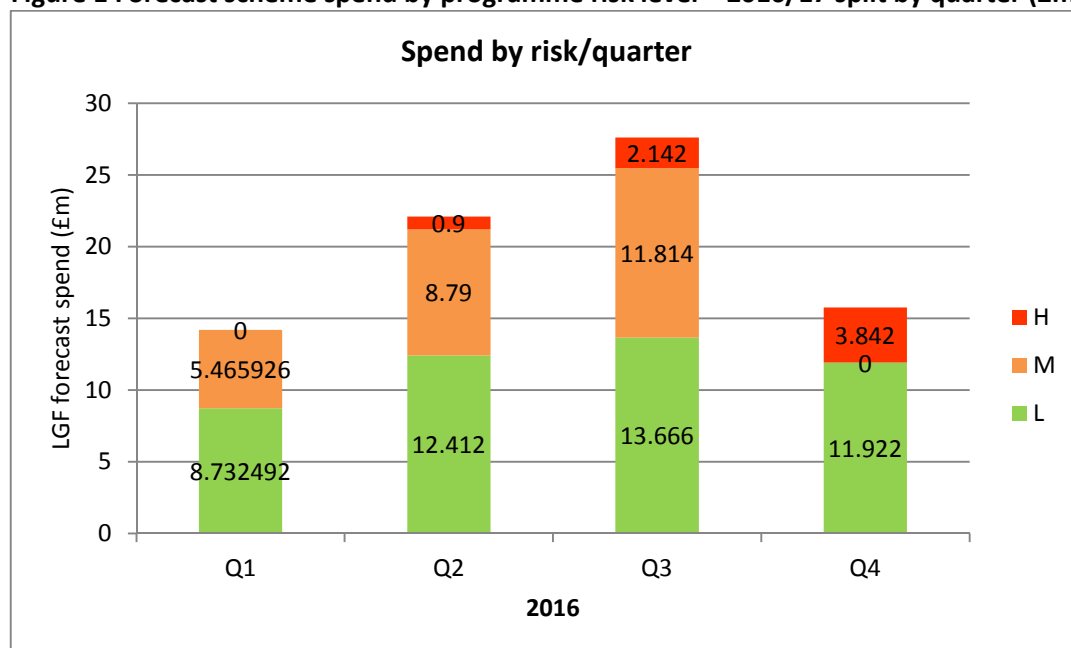
7. Deliverability and Risk Approach

- 7.1 At the SELEP Accountability Board meeting held on the 10.06.2016 the Board was presented with a paper detailing the approach taken by Steer Davies Gleave in their assessment of projects deliverability and risk. This was completed as part of their interim capital programme management role. The independent assessment of projects deliverability and risk will now be completed by the SELEP Capital Programme Manager.
- 7.2 The same approach has been applied to the assessment of risk and deliverability in the latest deliverability and risk update, with the exception of the “cost Risk /affordability/ funding” risk area. This risk area has been subdivided into “certainty of total cost estimate” and affordability/certainty of local funding sources”.
- 7.3 This approach will ensure that total projects cost estimates are more closely monitored, as this has proved a particular risk for those projects which are currently at an early stage of project development. This focus on project cost estimates will also help identify any variations to a projects cost which may impact upon a projects value for money.
- 7.4 In addition, the sources and availability of match funding contributions may change during the lifecycle of a project. The closer monitoring of match funding contributions should help ensure proactive measures are taken to mitigate risks associated with the availability and/or timing of local funding leverages towards LGF projects.
- 7.5 All other risk areas have been assessed applying the criteria previously presented to Accountability Board.
- 7.6 Appendix 3 shows the update deliverability and risk assessment of projects. The assessment has been completed for 72 projects in total. Those projects which have been completed or removed from the programme have been excluded from the assessment.

8. Deliverability and Risk Summary

- 8.1 In summary:
- 38 projects have a green RAG rating for programme risk;
 - 30 projects have an amber RAG rating for programme risk; and
 - 4 projects have a red RAG rating for programme risk.
- 8.2 The projects with a Red RAG rating include:
- Ashford Spurs– funding gap and complex rail project
 - Thanet Parkway–funding gap and complex rail project
 - Dover Western Docks Revival - unresolved additionality issue; and
 - Beaulieu Park Railway Station – complex rail project.

Figure 1 Forecast scheme spend by programme risk level – 2016/17 split by quarter (£m)



9. Financial Implications

- 9.1 The revised spend forecast indicates an LGF underspend in 2016/17 of £4.55m. There is potential for the forecast levels of LGF underspend in 2016/17 to increase as there is a high proportion of backloading of LGF spend in Q3 and Q4.
- 9.2 The accumulation of LGF slippage between financial years will lead to increasing pressure on LGF delivery during later years of the LGF programme and presents a potential risk to future funding allocations from Government.
- 9.3 Whilst opportunities will be sought to reduce the level of LGF slippage during 2016/17, where LGF slippage exists, mitigation will be put in place through applying the same four mitigation measures identified to manage slippage during 2015/16. These include:
- 9.3.1 Option 1 -Bringing forward of planned future year LGF spend on schemes in the 2016/17 capital programme;
 - 9.3.2 Option 2 – Bringing forward of 2017/18 LGF schemes to spend in 2016/17;
 - 9.3.3 Option 3 - Transfer of LGF spend on schemes between Partner authorities (this will be completed as a direct payment from SELEP Accountable Body to the Partner Authority, subject to SELEP Accountability Board agreement, under the grant payment process introduced in 2016/17); and
 - 9.3.4 Option 4 – Re-profiling of spend between LGF projects and Capital Programme projects

10. Legal Implications

10.1 None

11. Staffing and other resource implications

11.1 None

12. Equality and Diversity implications

12.1 None

13. List of Appendices

13.1 Appendix 1 – Financial monitoring

13.2 Appendix 2 – Summary of spend profile

13.3 Appendix 3 – Project deliverability and risk assessment

14. List of Background Papers

14.1 None

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off	
Lorna Norris	9/09/2016
On behalf of Margaret Lee	