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Report title: Local Growth Fund Capital Programme Update	
Report to: Accountability Board	
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SELEP Partner Authority affected: East Sussex, Essex, Kent, Medway, Thurrock and Southend	

1. Purpose of Report

- 1.1. The purpose of this report is for the Accountability Board (the Board) to consider the overall position of the Local Growth Fund (LGF) capital programme, as part of SELEP's Growth Deal with Government.

2. Recommendations

- 2.1. The Board is asked to:

- 2.1.1. **Note** the provisional total spend in 2022/23 of £12.447m LGF excluding Department for Transport (DfT) retained schemes and £12.685m including DfT retained schemes, as set out in Table 1 and Appendix A of the report.
- 2.1.2. **Agree** the updated total planned LGF spend on project delivery in 2023/24 of £10.941m excluding DfT retained schemes and increasing to £11.027m including DfT retained schemes, as set out in Table 2 and Appendix A of the report.
- 2.1.3. **Note** that a revised Business Case for the Hastings and Bexhill Movement and Access Package will be brought forward for Board consideration at the September 2023 meeting.
- 2.1.4. **Note** the deliverability and risk assessment, as set out in Appendix D.
- 2.1.5. **Note** the list of outstanding post scheme completion Monitoring and Evaluation reports, as set out in Appendix G.

3. Summary position

- 3.1. The £578.9m SELEP LGF allocation received from the Ministry of Housing Communities and Local Government (MHCLG) (now named the Department for Levelling Up, Housing and Communities (DLUHC)) has been fully awarded to support delivery of projects.

- 3.2 In order to satisfy the commitment made to Government to secure the final tranche of LGF funding in 2020/21, and in accordance with decisions made by the Board, the majority of the remaining unspent LGF funding was transferred to Local Partners in March 2021 in accordance with the official end of the Growth Deal period. The remaining funding was transferred to Local Partners before the end of March 2022.
- 3.3 Delivery of the ongoing LGF projects and spend of the funding transferred to local partners at the end of 2020/21 and during 2021/22 will continue to be monitored until all projects have reached completion.

4. Award of Local Growth Fund

- 4.1. The Board has approved the award of the full £578.9m SELEP LGF allocation to 106 projects, including DfT retained schemes. The A127 Fairglen junction improvements project, a DfT retained scheme with an LGF allocation of £15m, is still awaiting approval by the DfT. Despite this, £1.5m of the LGF allocation has been spent to date following a request from Government to accelerate partial release of the funding.
- 4.2. At the Strategic Board meeting on 11 December 2020, a pipeline of LGF projects was agreed by SELEP Ltd. Ten projects were identified to receive additional LGF, based on the £6.693m LGF unallocated at the time of the meeting. A ranked pipeline of projects was also established to identify the next LGF projects in line to receive additional funding, if further LGF became available.
- 4.3. The Board approved the award of £6.662m to the ten prioritised projects at the February and March 2021 Board meetings. In addition, a further £0.901m was awarded to the Kent and Medway Engineering, Design, Growth and Enterprise (EDGE) Hub project, as the first project on the agreed pipeline, following the cancellation of the Basildon Innovation Warehouse project in February 2021.
- 4.4. Following the decision by the Board in September 2021 to reduce the LGF allocation to the A26 Tunbridge Wells Cycle and Junction Improvements Package by £623,389, additional LGF funding was awarded to the Kent and Medway Engineering, Design, Growth and Enterprise (EDGE) Hub, Mercury Rising and Southend Airport Business Park projects.
- 4.5. In May 2022, £0.207m was removed from the A127 Essential Maintenance project following confirmation of project completion. This funding was awarded to the Southend Airport Business Park project in accordance with the prioritised project pipeline.
- 4.6. The remaining prioritised project pipeline is set out in Appendix B. As delivery of the majority of the ongoing LGF projects nears completion, work is being undertaken by the SELEP Capital Programme Team, in conjunction with relevant local partners, to confirm the ongoing need for additional LGF funding

to support delivery of the projects remaining on the pipeline. In addition, confirmation of the additionality (additional benefit) that will be realised should further LGF funding be awarded to any of the projects on the pipeline needs to be provided by the relevant local partner authorities.

5. Local Growth Fund spend position

- 5.1. LGF spend in 2022/23 is reported to total £12.447m excluding DfT retained schemes, increasing to £12.685m including DfT retained schemes. This is the provisional year end spend position for 2022/23. It is intended that the 2022/23 year end spend position will be confirmed at the next Board meeting following completion of required year end declarations by all local partner authorities.
- 5.2. The reported 2022/23 spend has been taken from the latest round of LGF quarterly reporting and demonstrates that reported spend in 2022/23 is £15.275m (excluding DfT retained schemes) or £15.361m (including DfT retained schemes) below the level forecast at the start of the financial year. This change is shown in Table 1 below.

Table 1: Provisional 2022/23 year end spend position

LGF (£m)				
	Planned LGF spend 2022/23	Reported spend 2022/23	Variance (between planned and reported spend)	% Variance
East Sussex	9.551	3.448	-6.103	-63.9%
Essex	8.861	5.786	-3.075	-34.7%
Kent	6.143	1.717	-4.426	-72.0%
Medway	0.000	0.000	0.000	0.0%
Southend	1.496	1.496	0.000	0.0%
Thurrock	1.671	0.000	-1.671	-100.0%
LGF Sub-Total	27.722	12.447	-15.275	-55.1%
Retained	0.324	0.238	-0.086	-26.4%
Total Spend	28.046	12.685	-15.361	-54.8%

- 5.3. There are a number of factors which are impacting on the level of LGF spend, including ongoing COVID-19 and Brexit impacts on project delivery. There has been a widespread increase in materials costs which has adversely affected the majority of the ongoing projects and has in some cases resulted in the need for works to be reprocured. This issue has been further compounded by delays in key material supply chains which have been affected by both the COVID-19 pandemic and Brexit, and labour shortages due to COVID-19 enforced absences.

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- 5.4. In addition, East Sussex County Council have advised that their previous Highways Contract expired in April 2023, with a new contractor taking over from 1 May 2023. As a result, the previous contractor would only undertake works that they were confident could be completed prior to the end of the contract. This impacted on a number of the ongoing transport schemes within East Sussex County Council's LGF programme.
- 5.5. Thurrock Council has faced well documented challenges during the course of 2022/23, which have resulted in a complete review of their Capital Programme being undertaken. This review has particularly impacted on the Grays South project, which continues to hold unspent LGF funding.
- 5.6. Table 2 below sets out the updated LGF spend forecast for future years.

Table 2: Summary LGF spend forecast – all years

LGF (£m)							
	Actual LGF spend to end of 2020/21	Actual LGF spend 2021/22	Actual LGF spend 2022/23	LGF forecast spend 2023/24	LGF forecast spend 2024/25 onwards	Total	% LGF allocation spent by 31 March 2021
East Sussex	64.172	7.702	3.448	4.222	2.476	82.020	78.2%
Essex	90.199	2.930	5.786	3.000	12.075	113.991	79.1%
Kent	100.574	19.227	1.717	3.719	3.418	128.656	78.2%
Medway	25.460	6.980	0.000	0.000	0.000	32.440	78.5%
Southend	27.126	5.092	1.496	0.000	0.000	33.715	80.5%
Thurrock	29.491	0.651	0.000	0.000	5.699	35.840	82.3%
Skills	21.975	0.000	0.000	0.000	0.000	21.975	100.0%
M20 Junction 10a	19.700	0.000	0.000	0.000	0.000	19.700	100.0%
Sub-total	378.697	42.582	12.447	10.941	23.668	468.335	80.9%
DfT retained	93.887	2.889	0.238	0.086	13.500	110.600	84.9%
Total spend forecast	472.584	45.472	12.685	11.027	37.168	578.935	81.6%

- 5.7. Table 2 shows that 81.6% of the total LGF allocation (including DfT retained schemes) had been reported as spent by the end of March 2021. A further 10.05% of the LGF allocation was reported as spent in 2021/22 and 2022/23, leaving 8.32% unspent as at 1 April 2023 with the majority of this funding forecast for spend in 2024/25 or beyond.
- 5.8. As agreed by the Board, and in line with the commitment made to Government, the majority of the remaining LGF funding received from MHCLG was transferred to relevant local partners at the end of 2020/21 to support delivery of approved projects beyond 31 March 2021, which represented the official end of the Growth Deal period. The only Government funding still held by Essex County Council, as the Accountable Body for SELEP, totalled £5.146m. This was made up of the remaining balance held against the A28 Sturry Link Road project (£4.656m) and a historic error in Essex County Council's grant claims (£0.490m) which was resolved in 2021/22.
- 5.9. At the November 2021 meeting, the Board agreed that the £4.656m LGF funding allocated to the A28 Sturry Link Road project could be transferred to Kent County Council to support delivery of the project on condition that all the

required land acquisition was completed by 31 August 2023. As the Board will recall, at the last meeting Kent County Council advised that this deadline for completion of the land acquisition would not be met and an extension until April 2025 was agreed. A further update on the project is provided under Agenda Item 10.

- 5.10. Delivery of the ongoing LGF projects and spend of the funding transferred to local partners at the end of 2020/21 and during 2021/22 will continue to be monitored until all projects have reached completion.

6. Deliverability and Risk

- 6.1. Appendix D sets out a delivery update and risk assessment for all projects included in the LGF programme. This provides a detailed breakdown of the delivery progress for each LGF project, relative to the expected completion dates, as set out in the original business cases.
- 6.2. Changes to the structure of Appendix D have previously been made to ensure that it is possible to differentiate between those projects which have completed their LGF spend but which are continuing to deliver against their agreed Business Case and those projects which have completed both LGF spend and delivery in accordance with their agreed Business Case. This change in approach has meant that a small number of projects which were previously reported as complete, due to their LGF allocation having been spent in full, are now being shown as ongoing including North Bexhill Access Road, East Sussex Strategic Growth Package and Bexhill Enterprise Park North.
- 6.3. The North Bexhill Access Road project has achieved practical completion, with construction works complete and the full length of the road opened for use by the public in March 2019. As has been reported previously, ancillary works which are not being funded through the LGF are being undertaken alongside the new road by Sea Change Sussex. A further update on the project will be provided at a future meeting when Sea Change Sussex and East Sussex County have confirmed an agreed position.
- 6.4. The East Sussex Strategic Growth project was intended to develop strategic business space and utilise its generated income as flexible recyclable investment funding to ensure the continued growth of quality employment space throughout East Sussex. The LGF funding awarded to the project was designed to be seed funding for multi-phase development. Therefore, only a portion of the development outlined within the Business Case was due to be funded through the LGF, with the remaining works being funded by income generated through letting or selling the assets delivered through the initial phase of the project.
- 6.5. The initial works delivered through the LGF funding have been delivered, however, a completion date for the remaining works outlined within the East Sussex Strategic Growth Business Case is not yet known as the timeline for

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delivery of the later phases of development has been adversely affected by the economic impacts of the COVID-19 pandemic and Brexit which have reduced the income achieved to date through the delivery of the initial phases of development.

- 6.6. Delivery of the remaining works required as per the agreed project Business Case will continue to be monitored.
- 6.7. LGF funding was awarded to the Bexhill Enterprise Park North project to bring forward enabling site and servicing infrastructure which will release the site for development. As outlined in the Business Case, it is expected that private sector investment will be forthcoming to fund the delivery of the planned commercial workspace on the site. Whilst the LGF funded enabling works have now been delivered, commercial workspace is yet to come forward on the site. East Sussex County Council have reported that there is a need for utility diversion works to be completed prior to the commencement of construction of the commercial workspace.
- 6.8. As the Value for Money offered by the project was calculated based on the existence of the commercial workspace, the project will continue to be marked as being in progress until the commercial workspace has been delivered as set out in the approved Business Case.
- 6.9. The summary project risk assessment position is set out in Table 3 below. A score of 5 represents high risk (red) whereas a score of 1 represents low risk (green).
- 6.10. The risk assessment has been conducted for LGF projects based on:
 - 6.10.1. **Delivery** – considers project delays, any delays to the delivery of the project outputs/outcomes and delays in submission of the required post scheme completion Monitoring and Evaluation reports. SELEP has considered the delay between the original expected project completion date (as stated in the project business case) and the updated forecast project completion date.
 - 6.10.2. To ensure consistency with Government guidance on the assessment of LGF project deliverability risk, all projects with a greater than 3 month delay are shown as having a risk of greater than 4 (Amber/Red), unless the project has now been delivered and there is no substantial impact on the expected project outcomes delivery.
 - 6.10.3. **Finances** – considers changes to project spend profiles, project budget, certainty of match funding contributions and amount of LGF spend forecast beyond 31 March 2023.
 - 6.10.4. **Reputation** – considers the reputational risk for the delivery partner, local authority and SELEP Ltd.

Table 3: Summary of LGF project risk

Risk Score	Number of projects	LGF allocation to projects (£m)	LGF spend beyond 31 March 2023 (£m)
Low risk - 1	15	59.899	0.000
Low/Medium risk - 2	48	178.144	0.000
Medium risk - 3	17	94.327	0.442
Medium/High risk - 4	15	90.248	8.624
High risk - 5	11	156.318	39.128
Total	106	578.935	48.195

- 6.11. In total, £39.128m LGF is forecast for spend on high-risk projects beyond the end of 2022/23. A summary of the 11 high risk projects is set out in Appendix E.
- 6.12. Updates on 5 of the high-risk projects are provided under Agenda Items 10, 11, 12 and 13. In summary, the position regarding the other 6 high-risk projects is as follows:
- 6.12.1. Hastings and Bexhill Movement and Access Package (total LGF allocation £9m) – The project is seeking to deliver an integrated package of cycling, walking and bus infrastructure, traffic management and public realm improvements, which are aimed at supporting economic growth and planned growth across Bexhill and Hastings.
- 6.12.2. As set out at the last Board meeting, one element of the proposed scheme was a cycle route through Alexandra Park in Hastings. However, Hastings Borough Council took the decision to refuse the introduction of the cycle path. As a result, East Sussex County Council are currently reviewing their options with regard to how the LGF funding originally awarded to the Alexandra Park cycle route should be used.
- 6.12.3. In addition, East Sussex County Council have reported cost increases across the package, with recent cost estimates significantly exceeding the allocated budget. As a result, the ongoing review of the project will also consider which elements of the package should be prioritised for delivery through the LGF project.
- 6.12.4. Any proposals brought forward will be subject to the completion of the agreed Change Request process and submission of a revised Business Case which will be subject to review by the ITE. Following completion of this work, a decision will be brought forward for Board consideration. It is currently anticipated that the required work to produce the revised Business Case will be completed in advance of the next Board meeting.

- 6.12.5. A127 Fairglen Junction Improvements (DfT retained scheme) (total LGF allocation £15m) – whilst the Board approved the award of the remaining £13.5m LGF allocation to the project in February 2021, a final decision to approve the project from the Secretary of State for Transport remains outstanding. DfT have now indicated a requirement for additional obligations with regard to land acquisition to have been met by Essex County Council before the funding decision will be taken. Essex County Council are working to meet these obligations as soon as possible.
- 6.12.6. Essex County Council have confirmed that the Compulsory Purchase Order (CPO) objection process concluded in April 2022. Whilst there were no objections from landowners, 3 objections were received from UK Power Networks (UKPN), Network Rail and National Grid. All 3 objections have now been resolved and therefore it is expected that the CPO will be confirmed shortly. Essex County Council has reverted to the contractors who tendered for the works to ask them to re-confirm their prices, compared to their August 2020 tender submissions. Upon completion of this process, the Full Business Case will be updated to reflect the updated total cost and a final version of the Business Case will be submitted to DfT for sign off. Essex County Council are now targeting a start onsite to deliver the A127 Fairglen Junction Improvements project in February 2024.
- 6.12.7. A28 Chart Road, Kent (total LGF allocation £2.756m) – the project remains on hold whilst waiting for the Chilmington developer to reach their planning obligation to provide funding for the project, under the terms of the S106 agreement. This planning obligation will be reached once 400 homes have been occupied on the site. It was originally anticipated that the planning obligation would be reached in 2022 or 2023, however, the build out rate has been slower than anticipated so it is looking likely that the planning obligation will not be reached until 2024/25. There remains a risk that LGF spend to date totalling £2.756m may become an abortive revenue cost if the S106 contributions are not forthcoming and the project cannot be delivered in accordance with the agreed LGF Business Case. In this situation, the LGF funding would need to be returned to SELEP for reallocation to alternative projects.
- 6.12.8. A289 Four Elms Roundabout to Medway Tunnel (total LGF allocation £1.821m) – the LGF funding allocated to the project has been spent in full progressing the design for the scheme, however, the improvements to the road will be delivered as part of Medway Council's New Routes to Good Growth (Future Hoo) Housing Infrastructure Fund (HIF) project.
- 6.12.9. Medway Council has confirmed that good progress continues to be made towards delivery of the HIF project. In July 2022, a Future Hoo progress report setting out design development on road and rail,

along with the results of the second Future Hoo consultation was published. Design work in relation to the proposed rail and highway interventions has continued and it is expected that a planning application for the highways works will be submitted in September 2023.

- 6.12.10. Due to the impact of high inflation levels and rising interest rates, the decision has been made to pause the planned rail intervention at the current time. This will be reviewed in two years as sites start to come forward on Hoo Peninsula. Work has now commenced on feasibility studies for sustainable transport interventions.
- 6.12.11. In addition, work continues on a number of Strategic Environmental Management Schemes (SEMS). Three SEMS have been subject to detailed consultation, with planning consent now granted for two of the sites. A fourth site will be subject to detailed consultation in July 2023, with a view to submitting a planning application in November 2023.
- 6.12.12. In light of the current status of the HIF project, there remains a risk that LGF spend to date totalling £1.821m may become an abortive revenue cost if the HIF funded works are not forthcoming and the project cannot be delivered in accordance with the agreed LGF Business Case. In this situation, the LGF funding would need to be returned to SELEP for reallocation to alternative projects.
- 6.12.13. Purfleet Centre (total LGF allocation £5m) - The Purfleet Centre project is seeking to secure the comprehensive redevelopment of a 140 acre site to provide a new town centre for Purfleet featuring: c.2,500 new homes, a 600,000 sqft film and television studio complex, and supporting infrastructure including a new primary school, health centre, supermarket and community spaces within a high quality public realm. The LGF funding was awarded to support the acquisition of the required land, and this element of the project has been completed and the LGF funding has been spent in full.
- 6.12.14. As detailed at the last meeting, Thurrock Council have provided an update on the project to their Planning, Transport, Regeneration Overview and Scrutiny Committee which highlighted concerns regarding progress towards achieving the forecast project benefits. The update provided was as follows:
- 6.12.15. 'In order for Purfleet Centre Regeneration Limited (PCRL) to fulfil its role as lead developer and deliver the planned programme set out in the Development Agreement they need access to sufficient levels of funding (equity, debt and grant) to bring the project forward and a well-resourced team able to effectively manage all workstreams. To date, progress to deliver the scheme through the current Development Agreement arrangement has been disappointing and

only a small percentage of the homes have even been started on site.

- 6.12.16. PCRL has struggled to obtain funding (debt and additional equity) for the project and this has been its main obstacle to unlocking delivery. In 2020 the Council restructured the delivery route for Phase 1 by entering into the Phase 1 Agreement for Leases to accommodate the Housing Infrastructure Fund funding and make it easier for PCRL to secure the funding it needed but it has still not managed to obtain funding. It is important to note that a major shareholder in PCRL, Swan Housing, has faced significant financial challenges in recent years which have impacted on their ability to continue to engage effectively.
- 6.12.17. PCRL appointed Knight Frank Capital Advisory in August 2021 to source an equity investment partner for the Purfleet regeneration project. The search for equity funding is ongoing. The current Development Agreement is not delivering the required outcomes and PCRL have failed to provide the equity needed to take the development programme forward in a reasonable timescale. Therefore, we (Thurrock Council) are examining a full range of alternative delivery options. Planning, Transport, Regeneration Overview and Scrutiny Committee Members will be updated when options have been considered.'
- 6.12.18. As has been previously reported to the Board, Swan Housing has now been acquired as a subsidiary of Sanctuary Housing Association. Following the completion of the acquisition process, Sanctuary are currently undertaking due diligence in relation to all information and schemes inherited from Swan Housing. A review of the Purfleet Centre project forms part of this due diligence and the outcome of Sanctuary's review will need to be considered by Thurrock Council in determining their next steps in relation to realisation of the forecast project benefits.
- 6.12.19. Progress towards realising the forecast project benefits will be closely monitored and the Board will receive regular updates. If the options analysis results in a reduction in forecast project benefits, this will need to be considered through the agreed Change Request process as this will have an impact on the Value for Money offered by the project.
- 6.12.20. A13 Widening (total LGF allocation £81.5m) - the Board have received regular updates on the delivery of the A13 Widening project since November 2019. As has been reported at recent meetings, the project is now nearing completion and the road has been fully opened to traffic.
- 6.12.21. The latest update on the project confirms that works to complete the commissioning of the street lighting have been completed, and this

has allowed the reduced speed limit to be removed. The remaining landscaping has also been completed, with the remaining construction works (reviewing and closing out defects) due to be completed shortly. In addition, negotiations with the contractor on the value of the remaining Compensation Events is continuing and it is anticipated that it will be possible to present a final total project cost at the September Board meeting. The implications for the Value for Money offered by the project will also be considered at the September Board meeting.

- 6.13. It should be noted that the letter detailing the outcome of SELEP's Annual Performance Review with Government expressed concern regarding the ongoing High risk LGF projects and the apparent lack of progress towards delivery. This feedback was, in part, due to the approach taken to reporting on LGF spend to Government but it is considered important that outstanding issues associated with High risk projects are addressed prior to March 2024, wherever possible, whilst established robust monitoring processes remain in place.

7. Local Growth Fund project delivery beyond September 2021

- 7.1. In April 2020, the Strategic Board agreed to extend the delivery of the Growth Deal period by six months to 30 September 2021. Any further extensions beyond this date must be considered by both the Strategic Board and Accountability Board on a case-by-case basis.
- 7.2. Based on the latest LGF reporting provided by local partners, 30 projects are currently forecasting LGF spend beyond 30 September 2021 totalling £76.77m, as set out in Appendix C. This includes the three Kent County Council projects identified at the September 2022 Board meeting where full LGF spend was achieved prior to 30 September 2021 but could not be reported due to a delay in processing internal Kent County Council charges.
- 7.3. 27 of these projects have been considered and approved for spend beyond 30 September 2021 by both the Board and Strategic Board. The three Kent County Council projects have not sought approval for spend of the LGF funding beyond 30 September 2021 as the forecast of spend in 2022/23 is a reflection of a delay in completing required accounting processes, rather than a delay in spending the funding.
- 7.4. If any of the approved projects report a project completion date which is delayed by more than 6 months, a further decision will be required from the Board to grant this extension. This requirement is in line with the change management process set out in the Assurance Framework and Service Level Agreements between SELEP Ltd, Essex County Council, as Accountable Body, and the local authorities.

8. Projects remaining on LGF pipeline

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- 8.1. As set out in Section 4 of this report, the first 10 projects identified on the LGF pipeline have now received their additional LGF funding following approval by the Board in February and March 2021. Subsequently, the next two projects on the pipeline – the Kent and Medway EDGE Hub and the Mercury Rising projects – received the additional funding requested following the cancellation of the Basildon Innovation Warehouse project and the reduction in LGF allocation to the A26 Tunbridge Wells Cycle and Junction Improvements Package. In addition, the Southend Airport Business Park project has received a small proportion of the additional LGF funding requested.
- 8.2. For the remaining projects on the pipeline (listed in appendix B), additional LGF can only be awarded if further LGF funding becomes available through the cancellation of existing projects within the LGF programme.
- 8.3. It should be noted that clearly none of the projects remaining on the LGF pipeline will be able to spend any additional LGF funding awarded prior to the end of September 2021 and therefore the Board will be asked to consider whether the projects meet the conditions for LGF spend beyond September 2021 before awarding any available funding to support project delivery.
- 8.4. In advance of additional funding becoming available it is expected that these projects will proceed, as per the agreed scope in the project business cases, and that any increases in project cost will be met by local partners, as per the conditions of the grant.
- 8.5. No concerns have been raised regarding the deliverability of the projects remaining on the pipeline, as local partners or the relevant third-party delivery partners plan to meet the increase in project costs if required. These projects will remain under review and any significant risks to project delivery will be brought to the Board's attention.

9. LGF Programme Risks

- 9.1. In addition to project specific risks, Appendix F sets out the overall programme risks. A key risk which has been identified across the majority of the ongoing projects is the scale of the cost increases experienced and the extended delivery programmes required as a combined result of the COVID-19 and Brexit impacts on the labour and materials supply chain and the current high inflation levels. For projects which are still in the process of procuring a contractor, or which are required to re-tender due to delays in progressing the planned works, contractors are returning significantly higher costs than originally anticipated – resulting in either the need for additional funding to be secured or for value engineering to be undertaken. Cost increases are also impacting on projects which are already in delivery, with contractor claims for additional costs being received. There are limited mitigation measures available but purchasing of all materials at the outset of the construction programme has been identified as a mechanism for mitigating the risk of further cost increases as the project progresses onsite.

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- 9.2. The other main risks include the impact of the COVID-19 pandemic on the delivery (and pace of delivery) of project outcomes, which could impact the overall value for money achieved through the delivery of the programme. To assess this risk, SELEP is working with local partners to understand the potential impact of COVID-19 on the expected benefits to be realised through the LGF investment and to understand the impact on project costs which could also adversely affect the value for money offered. If required, revised forecast outcomes from the LGF programme will be brought forward for Board consideration.
- 9.3. Alongside the risk of not realising the expected project outcomes, there is a risk that the benefits will be realised but not measured or reported to SELEP and the Board. There are a large number of post scheme evaluation reports outstanding, mainly due to resourcing issues experienced by local partners, which mean it is not possible to give the Board and Central Government an accurate indication as to what has been achieved as a result of the LGF investment. It should, however, be noted that at least two Local Partner Authorities have now committed additional resource to bring the outstanding Monitoring and Evaluation reporting up to date.
- 9.4. A commitment to provide the resources needed to complete the required post scheme completion monitoring and evaluation reports is set out in each Business Case considered by the Board. A list of the outstanding post scheme evaluation reports is provided at Appendix G. Appendix G also includes those post scheme evaluation reports which are due for submission by the end of the 2023/24 financial year.
- 9.5. In early 2023/24, Essex County Council conducted an internal audit which sought to assess the robustness of SELEP's governance over decision making, project delivery and financial/risk management processes. This audit, whilst mostly satisfactory, did identify a required action in relation to the post scheme completion Monitoring and Evaluation reports. The audit identified the important role that these reports play in allowing the Accountability Board to effectively monitor project implementation and delivery. In addition, the reports provide assurance that the projects have delivered in accordance with their agreed Business Cases. The audit report places a responsibility on the SELEP Capital Programme Manager to put in place a process to help ensure that priority is given to outstanding Monitoring and Evaluation reports, and to ensure that these reports are presented to the Board. To this end, it is intended that at future meetings greater focus will be placed on updating the Board on project benefits which have been realised and a more comprehensive update on all outstanding Monitoring and Evaluation reports and the actions being taken to secure submission of these reports will be provided.
- 9.6. There is also a risk that now the LGF funding has been fully defrayed to local partners that completion of the required quarterly reporting will not be prioritised, despite it being a requirement of the Service Level Agreement, which is likely to result in the reporting either not being submitted to SELEP or being submitted late. If the reporting is not provided in a timely manner, there

will be insufficient time for the contents to be fully reviewed and to allow challenge where required to ensure that the Board are provided with a complete and robust update on delivery of the LGF programme. Late provision of reporting will also impact on the ability of SELEP to effectively report to Government on the benefits that have been realised as a result of the LGF investment.

10. Financial Implications (Accountable Body comments)

- 10.1. All funding allocations which are agreed by the Board are dependent on the Accountable Body receiving sufficient funding from HM Government. The only outstanding LGF funding expected to be received from HM Government is in respect of the funding for the A127 Fairglens junction improvements project, which remains subject to final approval from the Secretary of State for Transport.
- 10.2. The Accountable Body held a £0 balance of LGF as at the end of 2021/22 as the remaining balance of LGF for each project was transferred to each Local Authority under the terms of the Service Level Agreement (SLA) that is in place with each Partner Authority.
- 10.3. As the remaining balance of LGF for each project has been transferred in advance to the Local Authorities, there is a requirement for the Board to continue to effectively monitor the progress of the LGF projects in order to provide assurance of delivery in line with the agreed business cases. The SLAs in place set out the Grant responsibilities for the Partner Authorities, which include providing regular reports to the Accountable Body and the SELEP Secretariat in the timescales and format specified by the SELEP Secretariat, to enable quarterly reporting to the Accountability Board and Government.
- 10.4. Updates on Projects should include ongoing monitoring of possible risks which may impact delivery of LGF projects along with proposed mitigations; this is essential due to the current uncertain economic climate and high inflation, together with ongoing impacts experienced following the Covid-19 pandemic and Brexit.
- 10.5. Reporting is also required to include the monitoring and evaluation reports post completion of the respective Projects; these reports should provide assurance to the Board that the anticipated outputs and outcomes set out in the business cases are being delivered; or, provide an update where there are risks to realisation of the outputs and outcomes. This requirement is included in the SLAs in place with each Partner Authority.
- 10.6. Essex County Council, as the Accountable Body, is responsible for ensuring that the LGF funding is utilised in accordance with the conditions set out by Government for use of the Grant. This is managed through the SLAs which set out the conditions for use of the grant.

- 10.7. Should the funding not be utilised in accordance with the conditions of the SLAs, Partners may be required by the Board to return the funding to the Accountable Body. This may include instances where LGF projects are unable to complete and abortive costs are incurred, as in this example, the costs may no longer meet the condition for the funding to be used only for Capital expenditure purposes.
- 10.8. It is noted that a number of Projects that have experienced extended delays are now facing challenges to funding due to cost increases since the original business cases were completed. Under the terms of the SLAs with Partner Authorities, this risk of cost increases is the responsibility of Partners to mitigate and in some circumstances may require a change request or updated business case to be presented to the Board.

11. Legal Implications (Accountable Body comments)

- 11.1. The grant funding will be administered in accordance with the terms of the Grant Determination Letter between the Accountable Body and Central Government and required to be used in accordance with the terms of the Service Level Agreements between the Accountable Body and the Partner Authorities.
- 11.2. It is a requirement that the Partner Authorities mirror the terms of the SLA within its funding agreements with the delivery partners.
- 11.3. Where there are delays to a project end date of more than six months, under the terms of the SLA, Accountability Board approval is required. If a project fails to proceed, in line with the conditions of the SLA or grant conditions from Central Government, or the change is not approved by Accountability Board, the Accountable Body may clawback the funding for reallocation by SELEP Ltd.

12. Equality and Diversity implication

- 12.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 12.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

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- 12.3. In the course of the development of the project business case, the delivery of the Project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision-making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

13. List of Appendices

- 13.1. Appendix A – LGF spend forecast update
- 13.2. Appendix B – LGF prioritised project pipeline
- 13.3. Appendix C – Projects spending LGF beyond 30 September 2021
- 13.4. Appendix D – Project deliverability and risk update
- 13.5. Appendix E – High Risk Projects
- 13.6. Appendix F – LGF Programme Risks
- 13.7. Appendix G – Outstanding and due Post Scheme Completion Monitoring and Evaluation reports

(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	
Michael Neumann	07/06/2023
(On behalf of Nicole Wood, S151 Officer, Essex County Council)	