

<b>Report to Accountability Board</b>	<b>Forward Plan reference number:</b> FP/AB/065 FP/AB/066
<b>Date of Accountability Board Meeting:</b> 20 <sup>th</sup> January 2017 <b>Date of report:</b> 2 <sup>nd</sup> January 2017	
<b>Title of report:</b> Changes to LGF Capital Programme Spend Forecast	
<b>Report by:</b> Rhiannon Mort, SELEP Capital Programme Manager	
<b>Enquiries to:</b> rhiannon.mort@essex.gov.uk	

## **1. Purpose of report**

- 1.1. The purpose of this paper is to make the Accountability Board (the Board) aware of changes to the spend forecast for Local Growth Fund (LGF) projects included in SELEPs Growth Deal.

## **2. Recommendations**

- 2.1. The Board is asked to:
  - 2.1.1. **Agree** the amended spend forecast for A127 Network Resilience, Essex; and
  - 2.1.2. **Note** the potential risk of the spend profile for A127 Fairglen Junction Improvements extending beyond the current Growth Deal period

## **3. Background**

- 3.1. The A127 Network Resilience and A127 Fairglen Junction Improvements project were both originally identified by Government as a Department for Transport (DfT) 'retained' scheme, for which the DfT would have greater involvement and oversight on the delivery of these LGF projects.
- 3.2. As a retained scheme, reporting is provided to DfT on a quarterly basis in relation to the A127 Fairglen Junction and A127 Network Improvements (Essex) and LGF is received by the SELEP Accountable Body from DfT, rather than via the Department for Communities and Local Government (DCLG) as per other LGF schemes.
- 3.3. Amendments to the LGF spend forecasts for these projects are subject to approval from the Board, the Department for Business, Energy and Industrial Strategy (who oversee the delivery of all Growth Deal projects) and DfT.

- 3.4. The proposed change to the spend profile for A127 Network Improvements will increase the amount of LGF spend on this project in 2016/17 and comes as a request from the DfT.
- 3.5. The re-profiling of A127 Fairglens Improvements will extend the spend profiling for the scheme past the current spend window.

#### **4. A127 Network Improvements, Essex**

- 4.1. The A127 Capacity Enhancements and Network Resilience Package (A127 Network Improvements Project) consists of a number of interventions intended to tackle transport network constraints along the congested A127 corridor in South Essex area which connects the M25, Basildon and Southend (including London Southend Airport).
- 4.2. The Business Case was approved in June 2015 for the allocation of £4m LGF to the project.
- 4.3. In 2015/16, a total of £600,000 LGF was expended and a further LGF £1.1m was profiled to be spent in 2016/17. In addition to the LGF spend, the original spend forecast includes spend of £2.6m from Essex County Council and S106 contributions in 2016/17, as shown in Table 1 below.
- 4.4. A direct request has been made by DfT to Essex County Council to accelerate LGF spend on the project in 2016/17 in place of Essex County Council contributions. This would increase the LGF spend in 2016/17 to £3.4m, as shown in Table 2 below.
- 4.5. If the Change Request is agreed by the Board, the DfT will transfer an additional £2.3m to SELEP in 2016/17 for spend on this project and reduce the future year allocations by an equal amount. The additional £2.3m would be spent during 2016/17. The Essex County Council and developer contributions to the project in 2016/17 will reduce accordingly.
- 4.6. As shown in Table 2 below, the Essex County Council contributions to the project will be delayed until 2018/19 and 2019/20. Spend of S106 contributions will be re-profiled between 2016/17, 2017/18 and 2018/19.
- 4.7. There will be no overall change to the total LGF allocation or local funding contributions to the project as a result of this Change Request. The total expenditure on the project in 2016/17 will also remain the same as previously forecast.
- 4.8. DfT have confirmed that in the unlikely event that Essex County Council are unable to spend the full £3.4m LGF in 2016/17, Essex County Council could carry over any grant overpayment into 17/18 with no penalty and SELEP would continue to receive the full £4m LGF grant in relation to this project.

- 4.9. The Essex County Council delivery team have reported that the project is progressing well and it is expected that £3.7m will be spent on the project by the end of this financial year.

Table 1 – Original Spend Profile (2016/17 – 2019/20)

	16/17	17/18	18/19	19/20	Total
LGF	£1.1m	£0.5m	£0.4m	£1.4m	£3.4m
Essex County Council	£1.5m		£0.9m	£0.6m	£3.0m
S106 developer contributions	£1.1m				£1.1m
Total	£3.7m	£0.5m	£1.3m	£2.0m	£7.5m

Table 2 – Proposed Amended Spend Profile (2016/17 – 2019/20)

	16/17	17/18	18/19	19/20	Total
LGF	£3.4m				£3.4m
Essex County Council			£1.0m	£2.0m	£3.0m
S106 Developer Contributions	£0.3m	£0.5m	£0.3m		£1.1m
Total	£3.7m	£0.5m	£1.3m	£2.0m	£7.5m

- 4.10. The accelerated spend of LGF in 2016/17 for this project will not assist SELEP in reducing the forecast level of LGF slippage in 2016/17 across SELEP's Growth Deal programme as it is intended that DfT will transfer an additional £2.3m in relation this project.

## 5. A127 Fairglen Junction Improvements, Essex

- 5.1. There is currently a £15m LGF allocation to the A127 Fairglen Interchange Project to deliver improvements to the congested A127/A130 junction in South Essex.
- 5.2. The detail of the intervention is currently being developed and the project will be considered by the Board once a Business Case has been produced for the project.
- 5.3. The original spend forecast for the project does not allocate LGF until 2019/20, with £4.750m allocated in 2019/2020 and £10.250m allocated in 2020/21, as shown in Table 3 below. This spend forecast is not considered to be realistic.
- 5.4. There have been some delays to work commencing on the business case development for the project and in defining the intended scale of the intervention. Essex County Council is waiting for the outcomes of the Highways England transport modelling work for the Lower Thames Crossing to become available. This will help inform the options considered for the A127 Fairglen Junction Improvements project and the Business Case development for the project.

- 5.5. The amended spend profile for the project reflects the expected timescale required to deliver a project of this scale and complexity.
- 5.6. Based on the proposed scale of intervention and the review of the works programme for delivery, an amended LGF spend forecast has been prepared for the project to more accurately reflect a realistic project expenditure profile.
- 5.7. The revised spend forecast shows the drawdown of the LGF allocation as starting in 2018/19, but with the LGF spend exceeding the Growth Deal period of 2015/16 to 2020/21. An updated spend forecast is shown in Table 4.
- 5.8. The revised project programme also shows the delivery of the project extending beyond the Growth Deal period, with the construction contract expected to be awarded in 2020/21 Q4 and project completion in Q1 2022/23.
- 5.9. The risks and potential impacts of the project's delivery extending beyond the period of the Growth Deal are currently unclear, and this will be discussed further with Government. There is likely to be a reputational risk around SELEPs ability to deliver on its LGF commitments.

Table 3 – A127 Fairglen Junction Improvements Original Spend Forecast

	17/18	18/19	19/20	20/21	21/22	22/23	TOTAL
LGF			£4.750m	£10.250m			£15.0m
Essex County Council	£1.0m	£1.0m					£2.0m
Total	£1.0m	£1.0m	£4.750m	£10.250m			£17.0m

Table 4 – A127 Fairglen Junction Improvements Proposed Amended Spend Profile

	17/18	18/19	19/20	20/21	21/22	22/23	TOTAL
LGF		£0.5m	£1.2m	£3.9m	£6.2m	£3.2m	£15.0m
Essex County Council	£1.2m	£0.8m					£2.0m
Total	£1.2m	£1.3m	£1.2m	£3.9m	£6.2m	£3.2m	£17.0m

- 5.10. In advance of the Business Case being developed for the project, the Board is asked to note the current spend forecast for the project and the potential for the project delivery to extend beyond the period of the Growth Deal.
- 5.11. The expected delivery of the project beyond the duration of the Growth Deal will be reported as a project risk as part of future LGF update reports to ensure that this risk is monitored and mitigated if possible.

- 5.12. In developing the Business Case for the project, SELEP and Essex County Council will work with DfT to agree the phasing of the LGF spend, project delivery and the impact of the project's expected completion date extending beyond the duration of the Growth Deal.

## **6. Financial Implications**

- 6.1. The amended spend forecast for A127 Network Resilience, Essex will increase the value of LGF received in 2016/17 by £2.3m, but does not affect the total programme value as this amount is deducted from expected allocations in future years.
- 6.2. The accelerated spend of LGF in 2016/17 for this project will not assist SELEP in reducing the forecast level of LGF slippage of circa £6m in 2016/17 across SELEP's Growth Deal programme (reported to Accountability Board in November 2016) as the additional £2.3m in relation this project is being transferred from the DfT.
- 6.3. With regard to the risk of re-profiling the spend profile for the A127 Fairglens Junction Improvements beyond the current Growth Deal period, subject to discussions with Government, the Board may need to consider options for mitigating this risk across the LGF Programme, in line with the Assurance Framework.

## **7. Legal Implications**

- 7.1 None

## **8. Staffing and other resource implications**

- 8.1 None

## **9. Equality and Diversity implications**

- 9.1. 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.
- 9.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

- 9.3 In the course of the development of the project business case, the delivery of the project and their 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 were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

**10. List of Appendices**

10.1. None

**11. List of Background Papers**

11.1. None

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>	
Lorna Norris	12.01.2017
<b>On behalf of Margaret Lee</b>	