

Forward Plan reference number: FP/AB/198, FP/AB/200 and FP/AB/205

Report title: Capital Programme Management of the Local Growth Fund	
Report to Accountability Board	
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Meeting Date: 12 th April 2019 Date of report: 31 st March 2019	For: Decision
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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 latest position of the Local Growth Fund (LGF) Capital Programme, as part of SELEP's Growth Deal with Government.
- 1.2 The report provides an update on the spend forecast for 2019/20, delivery of the LGF programme and the main programme risks.
- 1.3 The updated spend forecast now includes the LGF3b projects which were prioritised by the Investment Panel on the 8th March 2019.
- 1.4 As SELEP approaches the penultimate year of the LGF programme, the report provides a more details focus on risk and deliverability.

2. Recommendations

- 2.1. The Board is asked to:
 - 2.1.1. **Note** the updated LGF spend forecast for 2019/20, as set out in section 2.
 - 2.1.2. **Note** deliverability and risk assessment, as set out in section 5.
 - 2.1.3. **Note** the inclusion of nine new LGF3b projects within the LGF capital programme, as set out in Section 4.
 - 2.1.4. **Note** the changes to 2018/19 LGF spend forecast, as set out in Appendix 2. *The financial end of year position will be reported to the Board in September 2019.*
 - 2.1.5. **Agree** the changes to 2019/20 LGF spend forecast, as set out in Appendix 2.
 - 2.1.6. **Agree** the removal of the A2 Wincheap Off-Slip project from the Growth Deal programme and the reallocation of the £4.4m LGF provisional

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allocation to the project through the LGF3b process, as detailed in section 7 below.

- 2.1.7. **Agree** the removal of the Chelmsford Flood Alleviation Project from the Growth Deal programme and the reallocation of the £800,000 LGF provisional allocation to the project through the LGF3b process, as detailed in section 8 below

3. LGF spend forecast

- 3.1. The planned LGF spend in 2018/19 and 2019/20 has been updated to take account of the updated spend forecast provided by each local area. Appendix 2 sets out the changes to LGF annual forecast spend for individual projects, whilst Appendix 3 provided detail of the impact on project slippages on project delivery timescales. There may be further slippages of LGF spend identified through the formal end of year reporting process. A final LGF spend position will be reported to the Board in September 2019.
- 3.2. The expected LGF spend in 2018/19 now totals £75.426m in 2018/19, excluding Department for Transport (DfT) retained schemes (see Table 1). This is relative to £130.972m available through the £91.739m allocation from the Ministry for Housing, Communities and Local Government (MHCLG) and the £39.233m carried forward from 2017/18, as set out in Table 2 below.

Table 1 LGF spend forecast 2018/19

LGF (£m)					Reasons for Variance	
	Planned spend in 2018/19	Total forecast spend in 2018/19 (as reported in March 2019)	Variance*	Forecast LGF spend relative to planned spend in 2018/19* (%)	Additional spend/slippage identified for 2018/19 **	Slippage previous agreed by the Board **
East Sussex	16.650	12.236	-4.414	73.5%	-2.286	-2.128
Essex	18.654	17.407	-1.247	93.3%	0.000	-1.247
Kent	24.867	15.596	-9.270	62.7%	-4.126	-5.144
Medway	16.755	5.939	-10.816	35.4%	-0.591	-10.225
Southend	17.573	5.676	-11.897	32.3%	0.606	-12.503
Thurrock	13.647	7.172	-6.475	52.6%	-5.814	-0.661
Skills	0.000	0.000	0.000	100.0%	0.000	0.000
M20 Junction 10a	11.400	11.400	0.000	100.0%	0.000	0.000
LGF Sub-Total	119.546	75.426	-44.120	63.1%	-12.212	-31.908
Retained	35.454	12.484	-22.970	35.2%	-0.400	-22.570
Total Spend Forecast	154.999	87.909	-67.090	56.7%	-12.612	-54.478

*Variance between the total planned spend in 2018/19 as reported in March 2018 and the total forecast LGF spend in 2018/19, as it currently stands.

** The slippage is shown as a negative value, whilst additional LGF spend is shown as a positive value.

Table 2 LGF spend relative to LGF available in 2018/19 (excluding retained schemes)

	(£m)
LGF allocation in 2018/19 from MHCLG	91.739
LGF carried forward from 2017/18	39.233
Total LGF available in 2018/19	130.972
Total LGF spend in 2018/19	75.426
Total slippage from 2018/19 to 2019/20	55.546

- 3.3. As a result of the increase in LGF slippage from 2018/19 to 2019/20 and the inclusion of LGF3b projects within the LGF spend forecast, the spend forecast for 2019/20 has now increased. The planned LGF spend in 2019/20 now totals £96.917m LGF, excluding DfT retained schemes, and £124.728m including DfT retained schemes, as set out in Table 4 below.
- 3.4. LGF spend for new LGF3b projects' is subject to the Board approving the funding award to these projects. A number of these projects are expected to come forward for funding approval by the Board in June 2019 and September 2019.
- 3.5. The Board have previously been made aware of a potential gap in 2019/20 between the planned LGF and LGF available. The increased slippage of LGF spend from 2018/19 to 2019/20 and the re-profiling of LGF spend which has been identified through the most recent update report has now removed this funding gap in 2019/20. As such, this programme risk has now been mitigated, as shown in Table 5.

Table 4 Planned spend in 2019/20, 2020/21 and future years

LGF (£m)	2019/20	2020/21	Future Years	Total
East Sussex	16.456	7.482	0.000	23.938
Essex	18.268	12.440	9.270	30.707
Kent	23.843	34.264	0.000	58.107
Medway	13.491	11.335	0.000	24.826
Southend	14.635	9.487	0.000	24.122
Thurrock	10.225	7.140	0.000	17.365
Skills	0.000	0.000	0.000	0.000
M20 Junction 10a	0.000	0.000	0.000	0.000
LGF Sub-Total	96.917	82.147	9.270	179.064
Retained	27.811	38.255	0.000	66.066
Total Spend Forecast	124.728	120.402	9.270	245.130

Table 5 LGF spend forecast relative to LGF available (£m)

£m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Future
Actual spend or current spend forecast	55.563	69.681	79.332	75.426	96.917	82.147	9.2
LGF allocation as per CLoG	69.450	82.270	92.088	91.739	54.915	77.873	0.0
LGF allocation b/fwd from earlier years		13.887	26.476	39.233	55.546	13.544	9.2
Total grant funding in year	69.450	96.157	118.565	130.972	110.461	91.417	9.2
Over/(under) allocation	13.887	26.476	39.233	55.546	13.544	9.270	0.0

- 3.6. The amount of LGF available in 2019/20 now exceeds the LGF spend forecast for projects currently included in the LGF programme by £13.544m, despite the new LGF3b projects having been included with the LGF programme. This increased slippage increases the potential risk re capacity to deliver in the final year of the programme.

4. LGF Delivery

- 4.1. To date, the Board has approved a total of 86 LGF projects in full and a further 5 projects have received part approval, excluding the projects to be considered during the course of the meeting and new LGF3b projects.
- 4.2. A deadline was previously agreed for the approval of all projects within the current LGF programme by the end of the 2018/19 financial year (this excludes LGF3b projects). At its meeting on the 7th December 2018, the Strategic Board agreed an extension to this deadline until the 12th April 2019.
- 4.3. Where it has not been possible to meet this deadline, then the provisional funding allocation to the project will be considered for re-allocation as part of the LGF3b process and the refresh of SELEP's investment pipeline; in accordance with the recommendations of the SELEP Deep Dive in 2018.
- 4.4. As such, this meeting of the Board presents the last opportunity of existing LGF projects to come forward for funding approvals. Two projects have not met this deadline: the A2 Wincheap Off-Slip, Kent; and the Chelmsford Flood Alleviation project, Essex. These two projects are discussed further in section 7 and 8 below.

LGF3b

- 4.5. Following the last meeting of the Board, the amount of unallocated LGF totalled £15.448m. This follows the cancellation of a number of projects from the LGF programme at the last meeting of the Board and the £8.331m which was previously identified as unallocated, as set out in Table 1 below.

Table 1 LGF previously unallocated (prior to the Investment Panel on the 8/3/19)

Unallocated LGF prior to Investment Panel (£m)	
Originally Unallocated	8.331
Funding returned to SELEP	
Basildon ITP Tranche 2, Essex *	1.900
Basildon ITP Tranche 3, Essex *	0.514
A414 Harlow to Chelmsford, Essex	2.173
Fort Halsted, Kent	1.530
A22/A27 Improvements, East Sussex	1.000
Total	15.448

*Parts of these projects are still due to progress

- 4.6. On the 8th March 2019, the Investment Panel met for the first time and prioritised 9 projects to utilise the £15.448m unallocated LGF which was available at the time of the meeting. These 9 projects are now eligible to come forward to the Board for a funding decision.
- 4.7. It is expected that further LGF unallocated funding will be identified, such as from the two projects discussed in Section 7 and 8 below. A further meeting of the Investment Panel has therefore been scheduled for the 28th June 2019 to agree a pipeline of LGF projects to utilise any further unallocated LGF which is made available.

5. Deliverability and Risk

- 5.1. Appendix 3 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 and the expected LGF spend in 2018/19.
- 5.2. To date, it is reported that a total of 8,527 and 11,671 dwellings have been completed through LGF investment, as shown in Table 6 below. No outputs in terms of jobs or homes have been reported by Southend or Thurrock to date. The delivery of jobs and homes reported to date is lower than expected, relative to the 78,000 jobs and 29,000 homes committed through the Growth Deal. However, it is likely that the output and outcomes of LGF investment to date is currently understated. A lag is also expected between the investment being made and the delivery of the project outcomes.

Table 6 Jobs and homes delivered through LGF investment to date, including DfT retained schemes.

	To date		
	Jobs	Homes	Other outputs
East Sussex	1,241	1,661	0.5km of newly built road and 3km of new cycle route built
Essex	5,684	6,240	
Kent	169	2,626	0.8km of road resurfaced, 0.1km of newly built road and 2.1km of new cycle route built
Medway	1,433	1,144	1.145km of road resurfaced and 13.6km of new cycle route built
Southend	0	0	3.432km of road resurfaced, 0.626km of newly built roads and 0.408km of new cycle route built
Thurrock	0	0	3.75km off-carriageway new cycle/shared use paths, 0.995km of on-carriageway cycle way, 7.5km of footways to off-carriageway cycle/shared used paths.
Total	8,527	11,671	

- 5.3. Deadlines have been agreed with local delivery partners for the completion of one year post scheme evaluation, to enable more detailed reporting to the Board and Central Government about the benefits which have been achieved through LGF investment, as well as supporting the sharing of lessons learnt through project delivery.
- 5.4. The first wave of post scheme evaluation was due to be completed by the end of the 2018/19 financial year for the projects which have been completed to date. The outcome of this post-scheme evaluation will be reported back at the next meeting of the Board.
- 5.5. A majority of LGF projects are well underway, with over 25 projects having been completed to date. There are, however, a number of projects that have stalled, experienced project delays and for which there has been a slippage of LGF spend.
- 5.6. The summary project risk assessment position is set out in Table 7 below. A score of 5 represents high risk whereas a score of 1 represents low risk.
- 5.7. The risk assessment has been conducted, based on Ministry for Housing and Local Government (MHCLG) guidance for the assessment of LGF projects based on:
- 5.7.1. Delivery – considers project delays and any delays to the delivery of project outputs/outcomes. SELEP has also considered the delay between the original expected project completion date (as stated in the

- project business case) and the updated forecast project completion date.
- 5.7.2. Finances – considers changes to project spend profiles and project budget. SELEP has considered the certainty of match funding contributions, and changes to spend in 2018/19 between the planned spend (agreed with the Board at the outset of the financial year) and the updated forecast total spend for 2018/19). (40-60% slippage = 3, 60-80% slippage = 4, Greater than 80% slippage = 5).
- 5.7.3. Reputation – considers the reputational risk for the delivery partner, local authority and SELEP
- 5.8. Since the last Capital Programme Update report to the Board in February 2019, the number of projects with an overall risk score of 5 has decreased, as a result of funding decisions having been made in relation to certain projects and other projects having been removed from the LGF programme. Furthermore, the Cities and Local Growth Unit (CLoG) provide a view that that LGF could be spent beyond the Growth Deal (31st March 2021) if a strong case could be made and justified. Spend of LGF beyond the 31st March 2021 is subject to the Board agreeing that five specific conditions have been met. This has reduced the risk for certain LGF projects.
- 5.9. The conditions which need to be satisfied for LGF spend to be permitted by the Board beyond the 31st March 2021 include:
- 5.9.1. A clear delivery plan with specific delivery milestones and completion date to be agreed by the Board;
 - 5.9.2. A direct link to the delivery of jobs, homes or improved skills levels within the SELEP area;
 - 5.9.3. All funding sources identified to enable the delivery of the project. Written commitment will be sought from the respective project delivery partner to confirm that the funding courses are in place to deliver the project beyond the Growth Deal;
 - 5.9.4. Endorsement from the SELEP Strategic Board that the funding should be retained against the project beyond 31st March 2021; and
 - 5.9.5. Contractual commitments being in place with construction contractors by 31st March 2021 for the delivery of the project.
- 5.10. All Red RAG projects (listed in 5.12 below), which have not been considered by the Board in the last 6 months, are expected to come back to the Board at the next meeting on the 7th June 2019. At this meeting, it is expected that either an update report will be provided to the Board to give assurance that the project's risk can be mitigated or that the decision report will be brought to the Board to seek agreement on the next steps for the project.
- 5.11. The total LGF allocation to Red RAG projects is £42.036m.

Table 7 LGF project delivery, financials and reputational risk (5 high risk, 1 low risk)

Score	Delivery	Financials	Reputation	Overall
5	13	14	3	9
4	12	16	7	11
3	14	8	13	20
2	12	8	14	20
1	43	48	57	34
Total	94	94	94	94

5.12. Nine projects have been identified as having a high overall project risk (overall risk score of 5). Details are provided on each of these projects.

- A131 Braintree to Sudbury, Essex

The project has been removed from Essex County Council's capital programme. However, £1.8m LGF currently remains allocated to the project. It is expected that an update report will be brought to the Board in June 2019 to set out the next steps.

- Beaulieu Park Railway Station, Essex

The project has been awarded £12m LGF by the Board, subject to certain conditions being satisfied. One of the three funding conditions was for the SELEP Strategic Board to endorse spend of £9.27m LGF beyond the Growth Deal period (31/03/2021). This endorsement was secured from the Strategic Board at its meeting on the 22nd March 2019. The remaining two funding conditions must now be satisfied by December 2019.

The remaining two funding conditions include:

- A Value for Money review being completed for the overall Project by MHCLG, as part of the Housing Infrastructure Fund (HIF), that meets the requirements of the value for money exemption 2 of the SELEP Assurance Framework; and
- Receipt of evidence from Essex County Council that they have been awarded sufficient funding through the MHCLG's HIF and through funding contributions from Network Rail, to bridge the project funding gap.

The HIF application has now been submitted by Essex County Council and the Board will be updated on the outcome of this application once known.

- Chelmsford Flood Alleviation Project, Essex

A detailed update on the project is set out in section 7 below.

- A28 Chart Road, Kent

The delivery of the A28 Chart Road scheme in Ashford is currently on hold following the failure of the developer to provide the security bond required for Kent County Council to forward fund the delivery of the scheme.

This project has been on hold for almost a year. During this time, options have been considered to confirm the availability of funding contributions to enable the delivery of the project. These discussions are still ongoing but a solution has not yet been to provide Kent County Council assurance to progress with the project. If confirmation of funding has not been provided in advance of the next Board meeting then it is expected that recommendations will be made for the reallocation of the funding from this project to an alternative LGF3b.

- A28 Sturry Link Road, Kent

The project was awarded £5.8m LGF by the Board in June 2016. However, the funding package to deliver the project is dependent on private sector developer contributions. The pace of residential development coming forward will impact the deliverability of the project and spend of the funding contributions within the Growth Deal period.

An additional £4.5m LGF was sought from SELEP through the LGF3b process to increase the probability that the project can be delivered within the Growth Deal period, but this would increase the public sector contribution sought for the delivery of the project relative to private sector contributions. This project has not been prioritised by the Investment Panel for unallocated LGF currently available.

Planning applications have now been submitted for the sites which are due to provide funding contributions to the delivery of the project. Once the planning applications have been determined, an updated report will be brought to the Board, in June 2019.

- A28 Sturry Integrated Transport Package, Kent

The project was awarded £300,000 LGF for the extension of the existing bus lane along the A28 Sturry Road corridor to enhance the provision of public transport. Whilst the project Business Case set out the intention for the project to be delivered by the end of 2016, the project has been put on hold due to local concerns about the project and traffic diversions which would be required to deliver the project. Alternative delivery methods have been considered but these would increase the project cost and would reduce the benefits to cost ratio for the project.

Work is underway locally to consider the abortive cost of not progressing and whether delivery options are available to progress with the project as planned in the original business case. If this is not achievable, it is expected that the £300,000 allocated to the project will be returned to SELEP as part of the LGF3b process (to be confirmed at the Board meeting on the 7th June 2019). As such, the bus journey time reliability and the expected increase in bus use, anticipated as a result of the project, will not materialise.

- A2 Wincheap Off-Slip, Kent

A detailed update on the A2 Wincheap Off-Slip is presented in section 7 below.

- Leigh Flood and East Peckham Storage Area, Kent

The Leigh Flood Storage Area was awarded £2.349m LGF by the Board in September 2018, as part 1 of the Project. The remaining £2.287m is allocated to the East Peckham scheme, as part 2, but has not yet been considered by the Board for a funding award. The East Peckham scheme is not as well developed as the Part 1 project and there is a high risk that the LGF allocated to this part of the project cannot be spent within the Growth Deal period. Furthermore, there is also a funding gap, the value for which has not yet been confirmed. It is expected that a decision will be brought to the Board on the 7th June 2019 in relation to the East Peckham scheme to consider the funding allocation for this project.

- Medway City Estate Connectivity Improvement Measures, Medway

Medway City Estate project was approved by the Board in March 2015 for the award of £2m LGF. The Business Case includes measures for a direct river taxi from Medway City Estate to Chatham town centre, including a new landing stage on the River Medway at Medway City Estate. The river taxi could connect Medway City Estate with Chatham Town Centre, with the pier in Chatham Town Centre having been refurbished in 2013 using Growing Places Fund (GPF).

However, further engagement with businesses on Medway City Estate has not demonstrated sufficient demand for the walking, cycling and river taxi options proposed within the original Business Case. Further options are currently being investigated. An update report is expected to be presented to the Board in June 2019 to set out the next steps in relation to the scope of the project and subsequent decision once appropriate updates have been made to the Business Case

6. LGF Programme Risks

- 6.1. In addition to project specific risks, the following LGF programme risks have also been identified.

Government's funding commitment to future years of the LGF Programme

Risk: Currently Government has only given a provisional funding allocation for future years of the LGF programme and the level of LGF to be received by SELEP in 2019/20 has yet to be confirmed. It has been indicated that SELEP can expect to receive its 2019/20 award of funding in full, however, grant offer letters have not yet been received. The receipt of future year LGF allocations is also subject to full compliance with the requirements of the LEP review, National Local Growth Assurance Framework and successful outcome of the Annual Performance Review.

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Mitigation: Agenda Item 14, Assurance Framework Implementation update, details the latest position in relation to compliance with the governance requirements from Central Government and actions to address these.

LGF spend within Growth Deal period

Risk: Whilst the Cities and Local Growth Unit have indicated some flexibility to spend LGF beyond the Growth Deal Period (31st March 2021), the full impact of failure to spend the LGF allocation by this date has not been clearly articulated by Government. There is a potential reputational risk in terms of our ability to successfully secure funding from Central Government for funding streams which follow on from the Local Growth Fund, such as the Shared Prosperity Fund, if SELEP continues to hold substantial LGF allocations beyond the Growth Deal.

Mitigation: The LGF3b process is well underway to establishing a project pipeline to the end of the Growth Deal should underspend become available. The SELEP Investment Panel is due to meet again on the 28th June 2019 to agree the LGF project pipeline of projects to progress if LGF underspend is identified.

Slippage of LGF from 2018/19 to future years of the programme

Risk: A slippage of £55.546LGF is anticipated from 2018/19 to 2019/20. The slippage of LGF spend has a potential reputational impact for the SELEP area, as Central Government is currently using LGF spend as a performance measure to monitor SELEP's Growth Deal delivery. The backloading of LGF spend will also create delivery pressures during the final years of the Growth Deal programme.

Mitigation: There will be clear communication with Government about the successful delivery of LGF projects to date and the need for SELEP to retain LGF slippage to help manage the cash flow position in 2019/20.

Evidenced delivery of project outputs and outcomes

Risk: Local partners have made substantial progress towards the delivery of projects included within the Growth Deal programme, including the outputs identified in the Project Business Cases. However, Government continues to seek evidence of the delivery of jobs and homes which SELEP committed to deliver within its Growth Deal with Government. Whilst this information has been sought through update reports from SELEP, evidence of jobs and homes delivery from some local partners has not been forthcoming. This has a reputational risk for SELEP and the robustness of our case to Government for further funding.

Mitigation: New templates have been prepared by SELEP's Independent Technical Evaluator (ITE), to help structure and provide a consistent approach to the monitoring of project outputs and outcomes following scheme completion. A series of workshop meetings have also been held with each Federated Area to provide guidance on the completion of project monitoring and evaluation information.

The outputs delivered to date are also reported to each Strategic Board meeting to ensure clear oversight of project outcomes to date and oversight of the information reported back to Central Government.

S151 officer letter sign off of each Business Case includes a commitment for each local partner to allocate sufficient resource to the monitoring and evaluation of each LGF project.

LGF reallocation to Central 'unallocated' LGF pot

7. A2 Wincheap Off-Slip, Canterbury

- 7.1. A2 Wincheap off-slip slips project was allocated £4.4m LGF through LGF Round 3. The proposed scheme was intended to deliver the missing off slip to the A28 in the southbound direction of the A2 creating a full movements junction. This will provide an alternative route option for traffic currently approaching Canterbury from the A2 via Harbledown and the ring road.
- 7.2. The delivery of the A2 Wincheap off-slip is intended to remove traffic from Wincheap, reduce congestion along Canterbury Ring Road system and relieve pressure on the existing southbound off slip at Harbledown. The new off-slip will also provide improved access to an expanded park and ride site to the east of the A2/A28 Wincheap junction and to the Wincheap Industrial/retail Estate.
- 7.3. The delivery of the slip road forms part of a wider scheme for the delivery of wider improvements through Wincheap, including new relief road, gyratory and traffic management scheme. This package of works is required to improve the connectivity between the new slip road and the town centre.
- 7.4. Whilst the project will help to tackle existing congestion issues, the improvements are required to enable the delivery of 1,150 new homes, business space and community facilities at two strategic development sites in Thanington Park and Cockering Farm to the west of A2/A28 junction.
- 7.5. In approving the planning application for the Thanington Park site, the developer provided a funding commitment to deliver the A2 Wincheap off-slip. This commitment remains in place. However, under the S106 agreement, there is flexibility for the developer contributions to be diverted to the wider package of improvements, listed in 7.4 above, if alternative funding sources are identified to deliver the A2 Wincheap off-slip.
- 7.6. The legal agreement was drafted in this way, as at the time of the S106 agreement being put in place in 2016, a Growth and Housing Fund (GHF) bid had been submitted to Highways England for the delivery of the A2 Wincheap off-slip. This GHF application had passed the first phases of assessment but the scheme promoters were required to satisfy further stages in the process before the GHF was confirmed. An LGF Round 3 bid was also submitted at that time, given the uncertainty in relation to the GHF bid.

- 7.7. Whilst the project initially progressed through the Highways England, to secure Highways England funding for the A2 Wincheap off-slip, in December 2018 SELEP was informed that the application to Highway's England had not been successful.

LGF allocation to A2 Wincheap Off-Slip

- 7.8. Given the nature of the project, a Business Case to draw down the LGF funding has been requested for the delivery of the overall package of measures in Wincheap, including the A2 Wincheap Off-Slip and the Wincheap new relief road, gyratory and traffic management scheme.
- 7.9. Project development work has been completed towards the development of an overall Wincheap package of measures. However, following the news of the successful GHF application, it has not been possible for the scheme promoters to bring forward a robust Business Case, which demonstrates high value for money, within the timescales to meet the deadline, agreed by the Strategic Board at its meeting on the 7th December 2018.
- 7.10. It is also unclear whether it would be feasible to deliver the project within the Growth Deal period, given the scale of the interventions proposed. As such, it is recommended that this funding is reallocated through the LGF3b progress.
- 7.11. It is therefore proposed that the £4.4m LGF is reallocated through the LGF3b process, to enable alternative intervention(s) to progressed. In spite of the reallocation of LGF from the project, it is still expected that the A2 Wincheap off-slip will be delivered but through the developer contributions. This will deliver the intended benefits of the Project enabling the delivery of residential and commercial development in Thanet.
- 7.12. Alternative funding sources will then be sought by the scheme promoters for the wider interventions in Wincheap once the value for money case, the exact funding requirements, and cash flow position has been determined.

8. Chelmsford Flood Alleviation Project - LGF reallocation to Central 'unallocated' LGF pot

- 8.1. Chelmsford Flood Alleviation Project was allocated £800,000 LGF through the first round of the Growth Deal in 2014. The LGF was due to provide a funding contribution towards the £12.4m total project cost. This is in addition to funding contributions from the Environment Agency, Chelmsford City Council and Anglia Eastern Regional Flood and Coastal Committee.
- 8.2. The project is intended to reduce flood risk for existing residential and commercial properties. The existing Standard of Protection (SoP) is below 1 in 20 in parts of Chelmsford and there are currently 462 residential and 176 commercial properties at a 1 in 100 risk of flooding each year.

- 8.3. In addition, the scheme is intended to reduce flood risk to 13 brownfield or other commercial sites in the town centre which have been identified for development or redevelopment in the Chelmsford Town Centre Area Action Plan, 2006.
- 8.4. There have been a number of challenges in taking forward this project, including a judicial review of the planning process following challenges on the Environment Agencies powers to access land. This issue has now been resolved. However, the modelling work which is required as part of the Business Case has not been completed to the original timescales expected. The project costs are also under review. Business Case has previously been submitted to SELEP for this project, but the high level nature of the Business Case and gaps in information mean that the Business Case has not satisfied the SELEP's Independent Technical Evaluation process.
- 8.5. The project has been granted approval for Flood Defence Grant in Aid (FDGiA) funding by the Environment Agency to undertake the works. The LGF was only providing a relatively small proportion of the funding ask, however, it's currently unconfirmed by the Environment Agency whether the project will progress without the LGF allocation.
- 8.6. Similarly to the A2 Wincheap off-slip project, it has not been possible for the scheme promoters to bring forward a Business Case in time for consideration by the Board by the agreed deadline. As these projects have not met the deadline for approval, it is recommended that SELEP reallocates the provisional LGF allocations to these two projects through the LGF3b process.
- 8.7. It understood that neither of these two projects has been considered by the respective Federated Board in relation to the reallocation of the funding from these two projects. If the Board do not wish to support the recommendations of this report, in advance of the Federated Board's having discussed the proposed reallocation of funding from these projects, then it advised that Federated Board's should discuss the projects by the next Accountability Board meeting on the 7th June 2019 to agree to the removal of the project from the LGF programme or for the respective Federated Area to provide assurance that the issues set out above can be mitigated.
- 8.8. In the circumstance that the Federated Board continued to provide support for the project then the funding approval by the Board would also require endorsement from the SELEP Strategic Board. The delayed funding decision would, however, go against the timescales previously agreed by the Strategic Board and would reduce the amount of time available to deliver an LGF3b project, if the funding cannot progress.
- 8.9. If the board does support the recommendations of the report, for the reallocation of funding from A2 Wincheap off-slip and Chelmsford Flood Alleviation, this will release a total of £5.2m LGF. This funding, along with any further LGF identified at the meeting on the 7th June 2019, will be considered for reallocated by the SELEP Investment Panel at its meeting on the 28th June 2019. This will enable alternative projects to progress to utilise the LGF

funding which is unlocked through these two projects being removed from the programme.

9. Financial Implications (Accountable Body comments)

- 9.1. All funding allocations that have been agreed by the Board are dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2019/20 have yet to be confirmed and funding for future years is indicative.
- 9.2. Until confirmation of receipt of grant is received, any future funding awards made by the Board remain at risk. This risk for the continuation of delivery of the LGF programme is mitigated in the short term by the LGF funding carried forward from 2018/19 of £55.5m. It is hoped that confirmation of receipt of the funding will be made in advance of the Board meeting on the 12th April; a verbal update will be provided to the Board to update on the latest position in this regard.
- 9.3. Government has made future funding allocations contingent on full compliance with the revised National Local Growth Assurance Framework. Allocations are also contingent on the Annual Performance Review of SELEPs LGF programme by Government and assurance from the Accountable Body's s151 Officer that the financial affairs of the SELEP are being properly administered.
- 9.4. There is a high level of forecast slippage within the overall programme which totals £55.5m in 2018/19; this is an increase of circa £12.2m compared to the position reported to the board in February 2019.
- 9.5. It is noted above that there is a continuing risk for some projects that have received board approval for their LGF allocations, however, due to local issues, including funding gaps, have been unable to progress with full delivery of those Projects. It is advised that the Board review these programmes in June 2019 to consider whether the LGF allocation should be diverted to alternative projects that are able to deliver.

10. Legal Implications (Accountable Body comments)

- 10.1. There are no legal implications in this report.

11. Equality and Diversity implication

- 11.1. 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

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- (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.

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

11.3. 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.

12. List of Appendices

- 12.1 Appendix 1 - LGF financial update
- 12.2 Appendix 2 – Changes to 2018/19 and 2019/20 spend forecast
- 12.3 Appendix 3 - Project deliverability and risk update

13. List of Background Papers

13.1 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 Stephanie Mitchener (On behalf of Margaret Lee, S151 Officer, Essex County Council)	04/04/19