

Report title: Local Growth Fund Capital Programme Update	
Report to Accountability Board on 20 November 2020	
Report author: Rhiannon Mort, SELEP Capital Programme Manager	
Meeting Date: 20 November 2020	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 information presented in this report was collated with local partners in October 2020.

2. Recommendations

- 2.1 The Board is asked to:
 - 2.1.1. **Agree** the updated total planned LGF spend in 2020/21 of £69.236m excluding Department for Transport (DfT) retained schemes and increasing to £89.301m including DfT retained schemes, as set out in Table 1 and Appendix A.
 - 2.1.2. **Note** the deliverability and risk assessment, as set out in Appendix B.
 - 2.1.3. **Note** the mitigation/action required in relation to high risk projects as set out in Appendix C.

3. Summary Position

- 3.1 To date, the Board has approved the award of £554.965m LGF to 106 projects, relative to a total LGF allocation of £578.9m.
- 3.2 The remaining funding decisions to be sought from the Board in relation to LGF include the award of £13.5m LGF to A127 Fairglen Interchange, £3.777m LGF to Colchester Grow on Space Queens Street and the allocation and award of £6.693m LGF which is currently unallocated (as set out in section 6).
- 3.3 A total of 49 projects have been completed across the programme, with a further 57 underway to support the economic recovery following COVID- 19.

Local Growth Fund Capital Programme Update

- 3.4 LGF spend in 2020/21 is now forecast to total £69.236m excluding DfT retained schemes and increasing to £89.301m including DfT retained schemes.
- 3.5 The 2020/21 spend forecast has been updated to reflect the removal of three projects from the LGF programme (as detailed in section 6 below) and delays to LGF projects.
- 3.6 The following five projects have reported an LGF slippage of greater than £1m LGF since the last Board meeting:
- University of Essex Parkside Phase 3 (£2.250m LGF slippage)
 - Thanet Parkway (£3.227m LGF slippage)
 - M2 Junction 5 Improvements (£1.6m LGF slippage)
 - Innovation Park Medway Phase 1 (£1.525m LGF slippage)
 - Southend Central Area Action Plan (£1.0m LGF slippage)
- 3.7 The net impact of the changes to LGF spend across the programme has led to a substantial reduction to the forecast LGF spend in 2020/21, from £111.7m as reported at the last Board meeting to £89.3m LGF (including DfT retained schemes); a reduction of £22.4m. This change is shown in table 1 below.

Table 1 Updated spend forecast 2020/21

LGF (£m)							
	Planned LGF spend in 2020/21*	Total forecast spend in 2020/21 (as reported in August 2020)	Total LGF spend in 2020/21 (as reported in October 2020)	Variance (between planned and updated forecast October 2020)	Forecast LGF spend relative to planned spend in 2020/21* (%)	Additional spend/slippage identified for 2020/21 since the last board meeting	Additional spend/slippage previously considered by the Board
East Sussex	15.602	9.613	8.684	-6.918	55.7%	-0.929	-5.989
Essex	11.709	12.791	11.436	-0.273	97.7%	-1.355	1.082
Kent	24.963	28.101	22.823	-2.140	91.4%	-5.278	3.137
Medway	13.649	8.733	5.912	-7.738	43.3%	-2.821	-4.917
Southend	11.496	13.017	5.649	-5.847	49.1%	-7.368	1.521
Thurrock	10.574	9.737	8.039	-2.535	76.0%	-1.698	-0.838
Skills	0.000	0.000	0.000	0.000		0.000	0.000
M20 Junction 10a	0.000	0.000	0.000	0.000		0.000	0.000
Unallocated	0.000	0.000	6.693	6.693		6.693	0.000
LGF Sub-Total	87.994	81.992	69.236	-18.758	78.7%	-12.755	-6.002
Retained	40.809	29.722	20.065	-20.743	49.2%	-9.657	-11.086
Total Spend Forecast	128.803	111.714	89.301	-39.501	69.3%	-22.413	-17.089

Table 2 - Summary LGF spend forecast – all years

	£m					% LGF allocation spent by end of 2019/20
	LGF spend to end of 2019/20	LGF spend 2020/21	LGF spend 2021/22	LGF spend 2022/23 onwards	Total	
East Sussex	59.699	8.684	10.202	1.579	80.165	74.47%
Essex	78.642	11.436	10.995	12.000	113.073	69.55%
Kent	87.784	22.823	16.033	0.000	126.640	69.32%
Medway	21.357	5.912	5.171	0.000	32.440	65.84%
Southend	25.299	5.649	2.362	0.000	33.310	75.95%
Thurrock	26.301	8.039	0.000	0.000	34.340	76.59%
Skills	21.975	0.000	0.000	0.000	21.975	100.00%
M20 Junction 10a	19.700	0.000	0.000	0.000	19.700	100.00%
Unallocated LGF	0.000	6.693	0.000	0.000	6.693	0.00%
Sub-total	340.758	69.236	44.763	13.579	468.335	72.76%
DfT retained	70.636	20.065	19.899	0.000	110.600	63.87%
Total spend forecast	411.394	89.301	64.661	13.579	578.935	71.06%

- 3.8 It is currently forecast that £78.240m LGF will remain unspent at the end of 2020/21. This figure includes £58.342m LGF from Ministry of Housing Communities and Local Government (MHCLG) and £19.899m LGF from the DfT.
- 3.9 It is proposed that at the end of this financial year, the remaining £58.342m unspent LGF from MHCLG will be swapped into local authority's wider capital programmes. This funding will then be 'swapped out' by local authorities in future years to be spent on the respective LGF project. This approach is set out in more detail in section 5 below.
- 3.10 The Strategic Board has previously extended 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.
- 3.11 At the last meeting of the Board, an update was provided about the impact of the COVID-19 public health measures on the delivery of the Growth Deal programme. As anticipated, the impact of the public health measures and the economic downturn have resulted in project delays, project cost increases and/or funding gaps and is expected to slow the pace of benefit realisation. The risk rating for each project is presented in appendix B, having been reviewed to reflect the known impacts of the pandemic to date on project delivery. Further details about the high-risk projects are set out in Appendix C.

4. LGF spend beyond the Growth Deal period

- 4.1 Given the substantial impact of COVID-19 on the delivery of LGF projects, the Strategic Board agreed to extend the Growth Deal period to 30 September 2021.

Local Growth Fund Capital Programme Update

- 4.2 Whilst MHCLG has made clear its expectation that LGF is spent in full in 2020/21, there are no conditions within the Grant Determination Letter from MHCLG which prohibit the spend of LGF beyond 31 March 2021. As such, SELEP intends to use Option 4 capital swaps to demonstrate LGF spend in full by the end of the Growth Deal where there are no substantial (Red) rated risks identified for the future delivery of the Project.
- 4.3 To ensure SELEP is fulfilling its responsibilities in overseeing the appropriate use of public funds, it is not recommended that Option 4 capital swaps should be applied, where there is a high risk to the project, such as issues in securing planning consent or where match funding contributions have not been confirmed.
- 4.4 At the next meeting of the Board on 12 February 2021, the Board will be asked to agree the estimated value of the Option 4 mitigation. For projects which are currently rated as of high risk, the Board will be asked to agree whether Option 4 mitigation should be applied or if the LGF should be reallocated to projects on the LGF pipeline.
- 4.5 Approval of LGF spend beyond the Growth Deal, as extended to 30 September 2020, also remains subject to the Board agreeing that five specific conditions have been met. These five conditions include projects demonstrating that:
 - 4.5.1. there is a clear delivery plan with specific delivery milestones and completion date has been agreed by the Board;
 - 4.5.2. there is a direct link to the delivery of jobs, homes or improved skills levels within the SELEP area;
 - 4.5.3. all funding sources having been identified to enable the delivery of the project. Written commitment will be sought from the respective project delivery partner to confirm that the funding sources are in place to deliver the project beyond the Growth Deal;
 - 4.5.4. endorsement from the SELEP Strategic Board that the funding should be retained against the project beyond the Growth Deal period; and
 - 4.5.5. contractual commitments are in place with construction contractors by the end of the Growth Deal period for the delivery of the project
- 4.6 Table 3 lists all projects which are forecasting LGF spend beyond 2020/21. There is a risk that further LGF slippage beyond the Growth Deal will be identified over the coming months as a result of the COVID-19 pandemic slowing project delivery or results in project complications.

Local Growth Fund Capital Programme Update

Table 3– Projects with forecast LGF spend beyond 31 March 2021

Projects spending LGF beyond 31 March 2021 (£m)									
SELEP number	Project Name	Spend to end of 2019/20	2020/21	2021/22	2022/23	2023/24 and beyond	All years	% LGF spend by 31 March 2021	RAG
East Sussex									
LGF00023	Hailsham/Polegate/Eastbourne Movement and A	1.262986	0.340	0.497	0.000	0.000	2.100	76.3%	4
LGF00024	Eastbourne and South Wealden Walking and Cycl	3.771727	0.818	2.010	0.000	0.000	6.600	69.5%	4
LGF00042	Hastings and Bexhill Movement and Access Packa	2.549348	1.632	3.240	1.579	0.000	9.000	46.5%	4
LGF00044	Eastbourne town centre LSTF access & improvem	5.244114	0.390	2.366	0.000	0.000	8.000	70.4%	4
LGF00108	Bexhill Enterprise Park North	0.000000	1.540	0.400	0.000	0.000	1.940	79.4%	5
LGF00109	Skills for Rural Businesses Post-Brexit	0.228805	1.189	1.500	0.000	0.000	2.918	48.6%	4
LGF00110	Churchfields Business Centre (previously known a	0.065315	0.246	0.189	0.000	0.000	0.500	62.2%	4
Essex									
LGF00070	Beaulieu Park Railway Station	0.000	0.000	0.000	0.000	12.000	12.000	0.0%	5
LGF00103	M11 Junction 8 Improvements	2.239	0.161	0.334	0.000	0.000	2.734	87.8%	5
LGF00113	USP College Centre of Excellence for Digital Techn	0.000	0.000	0.900	0.000	0.000	0.900	0.0%	3
LGF00118	Basildon Innovation Warehouse	0.000	0.000	0.870	0.000	0.000	0.870	0.0%	3
LGF00119	University of Essex Parkside (Phase 3)	0.000	0.750	4.250	0.000	0.000	5.000	15.0%	5
LGF00125	New Construction Centre, Chelmsford	0.000	0.432	0.863	0.000	0.000	1.295	33.4%	3
LGF00127	Colchester Grow on Space Queen Street	0.000	0.000	3.777	0.000	0.000	3.777	0.0%	3
Kent									
LGF00039	Maidstone Integrated Transport	3.564	2.966	2.370	0.000	0.000	8.900	73.4%	4
LGF00040	A28 Sturry Link Road	1.109	0.680	4.111	0.000	0.000	5.900	30.3%	5
LGF00041	Thanet Parkway	0.000	6.048	7.952	0.000	0.000	14.000	43.2%	4
LGF00120	M2 J5 improvements	0.000	0.000	1.600	0.000	0.000	1.600	0.0%	5
Medway									
LGF00022	Medway City Estate Connectivity Improvement M	0.621	0.579	1.000	0.000	0.000	2.200	54.5%	3
LGF00061	Rochester Airport - phase 1	0.877	1.998	1.525	0.000	0.000	4.400	65.3%	4
LGF00089	IPM (Rochester Airport - phase 2)	0.570	1.130	2.000	0.000	0.000	3.700	45.9%	5
LGF00115	IPM 2 (Rochester Airport - phase 3)	0.000	0.872	0.647	0.000	0.000	1.519	57.4%	5
Southend									
LGF00045	Southend Central Area Action Plan (SCAAP) - Tran	3.638	2.000	1.362	0.000	0.000	7.000	80.5%	3
LGF00115	Southend Town Centre	0.000	0.500	1.000	0.000	0.000	1.500	33.3%	3
DfT retained schemes									
LGF00079	A127 Fairglen Junction Improvements	1.500	0.000	13.500	0.000	0.000	15.000	10.0%	4
LGF00082	A127 The Bell	1.216	0.385	2.699	0.000	0.000	4.300	37.2%	2
LGF00083	A127 Essential Bridge and Highway Maintenance	1.702	2.598	3.700	0.000	0.000	8.000	53.8%	2
Total		30.159	27.254	64.661	1.579	12.000	135.653		

5. Deliverability and Risk

- 5.1 Appendix B 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.
- 5.2 The summary project risk assessment position is set out in Table 4 below. A score of 5 represents high risk (Red) whereas a score of 1 represents low risk (Green).
- 5.3 The risk assessment has been conducted for LGF projects based on:

5.1.1. **Delivery** – considers project delays and any delays to the delivery of project outputs/outcomes. 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.

To ensure consistency with MHCLG 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.

5.1.2. **Finances** – considers changes to project spend profiles, project budget, certainty of match funding contributions and amount of LGF spent forecast beyond 31 March 2021.

5.1.3. **Reputation** – considers the reputational risk for the delivery partner, local authority and SELEP Ltd.

Table 4 LGF project risk

Risk Score	Number of projects	LGF allocation to projects (£m)	LGF spend in 2020/21 and onwards (£m)
Low risk - 1	47	179.470	0.900
Low/Medium risk - 2	17	101.499	8.132
Medium risk - 3	23	166.570	12.814
Medium/high risk - 4	10	77.555	27.275
High risk - 5	10	47.149	25.342
Total	107	572.242	74.463

5.4 Detail of the high-risk projects are set out in Appendix C. In total, £25.342m of unspent LGF is currently allocated to high risk projects.

6. LGF pipeline

6.1 Due to the Exceat Bridge (£2.111m LGF), Tilbury Riverside (£2.360m LGF) and Southend Forum 2 (£6.000m LGF) projects having been removed from the LGF programme, a total of £10.471m has been returned to SELEP for reallocation.

6.2 The only project remaining on the LGF pipeline, agreed in June 2019, is the Colchester Queens Street Grow on Space project, seeking £3.777m LGF. This project is due to be considered by the Board in February 2021.

6.3 A process has been agreed for SELEP Ltd to establish a new pipeline of LGF projects at the Strategic Board meeting on 11 December 2020.

6.4 Applications for additional LGF have been brought forward for 17 projects, seeking approximately £20m LGF in additional funding. These applications are currently being considered by SELEP's Federated Boards.

6.5 On 11 December 2020, the Strategic Board will be asked to agree how the remaining £6.693m unallocated LGF should be allocated. The Strategic Board will also be asked to establish a ranked pipeline of projects to proceed, should additional LGF become available.

6.6 Projects that receive an additional LGF allocation will come forward for funding approval by the Board in February or March 2021, to enable the

transfer of the LGF to the respective local authority before the end of the financial year.

7. LGF Programme Risks

- 7.1 In addition to project specific risks, Appendix D sets out the overall programme risks. The main risks include the impact of the COVID-19 crisis on the delivery (and pace of delivery) of project outputs and outcomes, which could impact the overall value for money achieved through the delivery of the programme.
- 7.2 The risk relating to the final third of LGF funding has been removed from the programme risk register, as the funding from MHCLG has now been received in full.

8. Financial Implications (Accountable Body comments)

- 8.1 All funding allocations which are agreed by the Board are dependent on the Accountable Body receiving sufficient funding from HM Government. The Accountable Body has now received the final third of LGF from MHCLG in August 2020, meaning the full allocation of totalling £77.873m has been received.
- 8.2 The use of “Option 4 capital swap” as outlined in section 4 (LGF spend beyond the Growth Deal period) of this report is permissible under the SLA’s in place between ECC as Accountable Body and the local authority partners. Written confirmation from the S151 officer for each Local Authority that they are comfortable with the proposed approach to apply the option 4 LGF capital swap as required at the end of 2020/21, has been received.
- 8.3 The application of Option 4 capital swap will be subject to an Accountability Board Decision in February 2021.
- 8.4 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.
- 8.5 A key assessment made in the Annual Performance Review is effective delivery of the Programme; it is noted that there was a high level of slippage from 2019/20 into 2020/21 totalling £49.926m; in addition, slippage in excess of £45.808m (excluding DfT programmes) is already reported into 2021/22.
- 8.6 As part of the LGF programme review to Central Government in June 2020, the Accountable Body and SELEP reported spend in full of the LGF programme by 31 March 2020, either through deliverability of the projects or using the Option 4 mechanism. The LGF project delay’s outlined in Queensway Gateway Road, Sturry Link Road and Bexhill Enterprise Park

Local Growth Fund Capital Programme Update

North reports, highlight a risk that SELEP and the Accountable Body will be unable to evidence project spend by the end of the Growth Deal. These Project's will be considered as part of an overall LGF programme review at the October 2020 meeting of the Strategic Board, in which they will be asked to consider all LGF projects deemed high risk. These projects will need to seek continued endorsement from the Board as to the viability of their delivery.

- 8.7 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.
- 8.8 Should the funding not be utilised in accordance with the conditions, the Government may request return of the funding, or withhold future funding streams.
- 8.9 The Accountable Body is ensuring that the grant is spent in line with the Grant Determination letter condition, which does not impose an end date for use.

9. Legal Implications (Accountable Body comments)

- 9.1 There are no legal implications arising from this report. As set out within this report, the grant funding will be administered in accordance with the terms of the Grant Determination Letter between the Accountable Body and Central Government, and used in accordance with the terms of the Service Level Agreements between the Accountable Body and the Partner Authorities.

10. Equality and Diversity implication

- 10.1 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.
- 10.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 10.3 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

Local Growth Fund Capital Programme Update

identify mitigating factors where an impact against any of the protected characteristics has been identified.

11. List of Appendices

- 11.1 Appendix A – LGF spend forecast update
- 11.2 Appendix B – Project deliverability and risk update
- 11.3 Appendix C – High Risk Projects
- 11.4 Appendix D – LGF Programme Risks

12. List of Background Papers

- 12.1 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 Peter Shakespear (On behalf of Nicole Wood, S151 Officer, Essex County Council)	11/11/20