

Forward Plan reference number: FP/AB/159

Report title: Capital Programme Management of the Local Growth Fund	
Report to Accountability Board	
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Meeting Date: 15 th September 2018 Date of report: 14 th August 2018	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 sets out the outturn report for LGF spend in 2017/18 and provides an update on the spend forecast for 2018/19, along with the delivery of the LGF programme and the main programme risks.

2. Recommendations

- 2.1. The Board is asked to:
 - 2.1.1. **Note** the final (pre-audited) 2017/18 LGF spend position, as set out in section 4.
 - 2.1.2. **Note** the updated LGF spend forecast for 2018/19, as set out in section 6
 - 2.1.3. **Note** deliverability and risk assessment, as set out in section 8
 - 2.1.4. **Approve** the acceleration of LGF spend in 2018/19 for the following projects:
 - 2.1.4.1. Hailsham/ Polegate/Eastbourne MAP (£1.012m)
 - 2.1.4.2. M11 Junction 8 Improvements (£0.866m)
 - 2.1.4.3. Leigh Flood Storage Area (£0.866m), subject to approval under Agenda Item 6.
 - 2.1.5. **Approve** the re-profiling of LGF spend from 2018/19 to future years of the growth deal programme for the following five projects:
 - 2.1.5.1. Hastings and Bexhill Movement and Access Package (£1.000m)
 - 2.1.5.2. Ashford Spurs (£0.509m)
 - 2.1.5.3. Rochester Airport Phase 1 (£0.427m);

- 2.1.5.4. Southend Airport Business Park (£6.493m); and
- 2.1.5.5. Southend Central Area Action Plan (£1.332m)

2.1.6. Note the increased risk to future year LGF allocations in light of the LEP Review recommendations

3. LGF Delivery Update

- 3.1. To date, the Board has approved a total of 75 LGF projects in full and has given part approval to a further 9 projects, as set out in Appendix 2.
- 3.2. A total of 21 projects have been completed to date. In addition, there are a number of packages of measures included within the LGF programme, with many of the interventions within these packages having been delivered.
- 3.3. Recent LGF delivery highlights for each local partner include:
 - 3.3.1. **East Sussex:** The delivery of the Devonshire Park Project, Eastbourne, is progressing, at pace, to create a new cultural, sporting and conference facility. The project has been supported through £5m LGF investment as well as a Growing Places Fund (GPF) loan. A majority of the new 'Welcome Building' has now been completed and is on track to be completed by December 2018.
 - 3.3.2. **Essex:** On the 10th September 2018, the Technical and Professional Skills Centre at Stansted Airport will open to students, with around 300 students and apprentices having signed up to courses at the college.

The Centre, which has been supported by SELEP through a £3.5m LGF contribution; will provide training to meet current and future skills gaps, including science, technology, engineering, maths, aircraft maintenance and engineering, operational and plant engineering, logistics, supply chain management, higher-level customer care industries and the visitor economy.

The official handover of the building took place towards the end of August 2018 and a full complement of staff has been appointed for all skills areas to be delivered by the college.
 - 3.3.3. **Kent:** In June 2018, construction works started on improvements to the A2500 Lower Road, which will provide access to new homes and jobs on the Isle of Sheppey. The £1.26m LGF investment, alongside an award of funding from the National Productivity Investment Fund (NPIF), will enable the delivery of a new roundabout and road widening.
 - 3.3.4. **Medway:** A ground breaking event was held at Strood in July 2018 to mark the start of works at the former Civic Centre site. The delivery of flood mitigation measures, through £3.5m LGF investment, will enable the mixed- use development of this prime location for the delivery of 564 new dwellings and new SME commercial space.

3.3.5. **Southend:** Work has commenced, as part of plans for extensive local stakeholder engagement, to inform the final stage of the Southend Central Area Action Plan – transport project. The early engagement with local stakeholders is being used to define and shape the scope of the project prior to the submission of the project business case for consideration by the Board in February 2019.

3.3.6. **Thurrock:** Work on the £78m A13 widening project is progressing with archaeological and ecological works being undertaken on site and which are due to be completed in mid-September. There have been delays to the delivery of the Project and a revised programme has been prepared. A full update on the project is provided under Agenda Item 11.

3.4. A progress update on all 97 projects can be found in Appendix 2.

4. 2017/18 Outturn Position

4.1. LGF updates have been provided by each local area through a Declaration of LGF Expenditure to confirm the final LGF spend position in 2017/18, as summarised in Table 1 below. This indicates a total LGF spend of £79.332m LGF, excluding Department for Transport (DfT) retained schemes and £94.462m including retained schemes.

4.2. The returns from local areas will now be subject to internal audit scrutiny and any changes identified as part of this process will be flagged to Board at their next meeting.

Table 1 Confirmed LGF spend relative to planned spend in 2017/18

	Planned spend in 2017/18 (as restated in September 2017)	Total actual spend in 2017/18 (actuals - as reported in August 2018)	Variance*	Spend relative to planned spend in 2017/18 (%)
East Sussex	26.219	22.680	-3.539	86.50%
Essex	17.867	17.345	-0.522	97.08%
Kent	32.236	18.388	-13.848	57.04%
Medway	12.299	4.429	-7.870	36.01%
Southend	13.508	3.159	-10.349	23.39%
Thurrock	12.293	4.960	-7.333	40.35%
Skills	0.096	0.071	-0.025	73.58%
M20 Junction 10a	8.300	8.300	0.000	100.00%
LGF Sub-Total	122.817	79.332	-43.485	
Retained	31.126	15.130	-15.996	
Total Spend Forecast	153.943	94.462	-59.481	

- 4.3. The latest update reporting indicated that the LGF slippage from 2017/18 to 2018/19 totals £39.185m (excluding DfT retained schemes), as set out in Table 2 below. The LGF slippage takes account of the under-profiling of the LGF programme in 2017/18, as agreed by the Board in September 2017.

Table 2 LGF spend relative to LGF available in 2017/18 (excluding retained schemes)

	(£m)
LGF allocation in 2017/18 from CLG	92.088
LGF carried forward from 2016/17	26.428
Total LGF available in 2017/18	118.516
Total LGF spend in 2017/18	79.332
Total slippage from 2017/18 to 2018/19	39.185

- 4.4. Though 2017/18, the Board were made aware of slippages to LGF spend across a number of LGF projects, as a result of delays to project delivery schedules. Projects which reported the highest levels of LGF slippage (above £3m) include:
- 4.4.1. STEM Innovation Centre – Colchester Institute (£4.550m LGF slippage)
 - 4.4.2. Thanet Parkway (£4.000m LGF slippage)
 - 4.4.3. Southend Airport Business Park (£9.198m LGF slippage)
 - 4.4.4. Purfleet Centre (£3.306m LGF slippage)
- 4.5. In addition, £5.201m LGF has been slipped from 2017/18 to future years of the programme due to the reallocation of LGF to the Sandwich Rail Infrastructure Project and to support the resolution of outstanding technical issues for the Ashford Spurs Project.
- 4.6. A £1.206m LGF slippage to 2017/18 LGF spend was also identified for the A28 Chart Road project through the end of year reporting. Due to the project issues set out in section 8.3 below, the developer contributions received by Kent County Council towards the development of the project were spent in advance of LGF contributions. The LGF slippage has been re-profiled to future years of the LGF programme.
- 4.7. The total £39.185m LGF which has been slipped in 2017/18 has been carried forward to 2018/19 through:
- 4.7.1. Option 4 capital swaps – This is the process by which LGF is spent within local authorities own capital programme and is returned for spend on LGF projects during the following financial year;

- 4.7.2. Unmitigated slippage – carry forward of LGF between financial years without the slippage having been invested within local authorities capital programme; and
- 4.7.3. Option 5 - LGF which was not drawn down by local authorities and has been retained in SELEP's accounts for spend in future years of the programme.

4.8. The total LGF slippage is broadly in line with the provisional outturn position, reported to the Board in May 2018 and Central Government departments. Through the end of year declaration process an additional £1.401m LGF slippage was identified, increasing the amount of slippage from £37.784 to £39.185m.

5. 2018/19 and future years LGF spend profile

- 5.1. SELEP's Grant Offer Letter confirms the grant allocation in 2018/19 and the future indicative LGF allocations, as set out in Table 3 below.
- 5.2. The LGF which has been received by SELEP for 2018/19 and the future year indicative profile is consistent with the indicative profile received from Government in Grant Offer Letters from previous years.

Table 3 LGF Allocation Indicative Profile from Government

Confirmed allocation LGF	Future Indicative LGF allocation	
2018/19	2019/20	2020/21
£91,738,956	£54,914,715	£77,873,075

- 5.3. The award of future LGF allocation is dependent on the Assurance Framework and recommendations of the Deep Dive being implemented in full. An update on the implementation of such governance arrangements is provided in Agenda Item 12.
- 5.4. In addition, the LEP Review, Strengthening Local Enterprise Partnerships has also indicated that new legal structures for LEPs, such as SELEP, should be in place by April 2019, ahead of any release of further LGF. The LEP review will be discussed further at the Strategic Board meeting on the 28th September 2018.
- 5.5. As reported to the Board previously, the spend forecast in 2019/20 currently exceeds the amount of LGF available owing to the uneven spend profile of the LGF grant from Central Government. This over-profiling in 2019/20 has reduced substantially since the gap was originally reported to the Board in May 2017, at the point when SELEP received confirmation of the provisionally allocated the LGF Round 3 award profile.
- 5.6. Since May 2017, the over-profiling in 2019/20 has reduced by £7.437m, from £13.428m to £5.991m, through requests by local partners to amend the spend profile for LGF projects. There is also currently a planned slippage of

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£33.474m LGF grant between 2018/19 to 2019/20 to help mitigate the cash flow risk in 2019/20.

- 5.7. As such, the LGF spend forecast is now much more closely aligned with the LGF available in 2019/20, as set out in Figure 1 and Table 4 overleaf.
- 5.8. When the Investment Panel meet to consider the development of SELEP's pipeline to the end of the Growth Deal period, consideration will be given to the timing of LGF underspend being available.
- 5.9. Based the current spend position, it is expected that a majority of the LGF available for allocation to LGF3B project will be available in 2020/21. Efforts will be made, through the prioritisation exercise, to ensure that any re-allocation of LGF which follows the refresh of SELEPs short term investment pipeline does not exacerbate the risk of a funding gap in 2019/20.

Figure 1 LGF spend forecast relative to LGF available

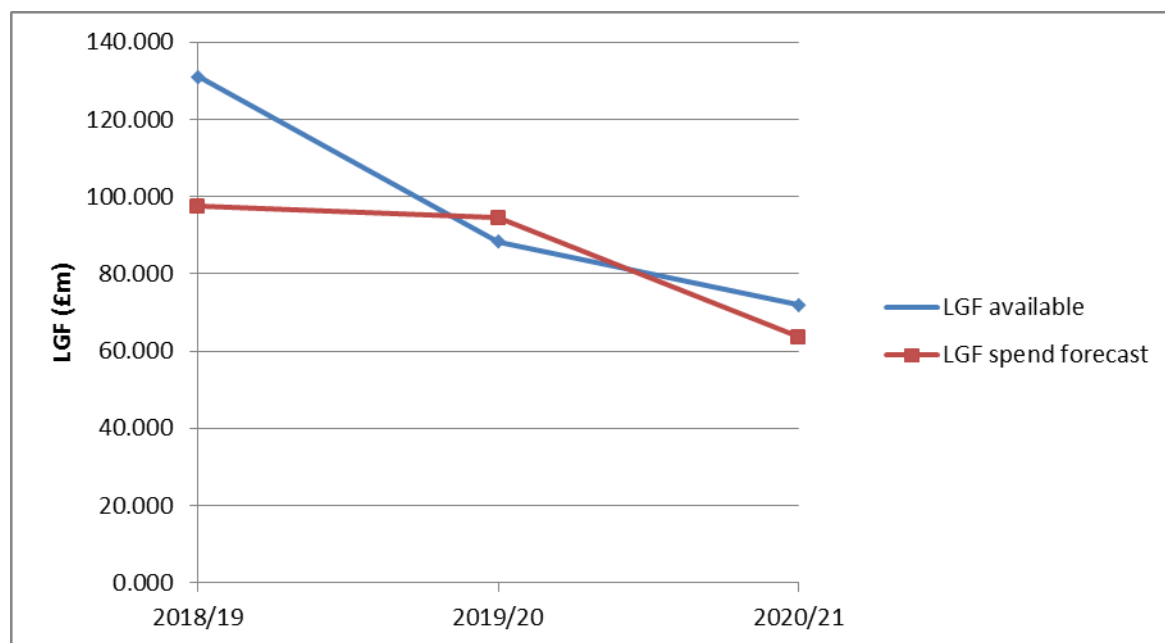


Table 4 LGF spend forecast v LGF available

£m	2015/15	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Actual spend or current spend forecast	55.562	69.730	79.332	97.450	94.380	63.551	460.005
LGF allocation as per CLG	69.450	82.270	92.088	91.739	54.915	77.873	468.335
LGF allocation b/fwd from earlier years		13.888	26.428	39.185	33.474	-5.991	
Total grant funding in year	69.450	96.158	118.516	130.923	88.389	71.882	468.335
Over/(under) allocation		26.428	39.185	33.474	-5.991	8.330	

- 5.10. Given the slippage to LGF spend which has occurred between financial years through the delivery of the LGF programme to date, the £5.991m over-

profiling does not present a substantial programme risk. It is expected that the over-profiling will be mitigated through a further slippage of LGF spend from 2019/20 to 2020/21. However, if slippage of LGF from 2019/20 to 2020/21 does not materialise then the availability of funding in 2019/20 for projects to draw down will be impacted. Discussions will be held with local partners to understand where there are opportunities to amend the project spend profiles, such as through spend of local funding contributions to projects in advance of LGF spend. An update will be presented at the next meeting of the Board.

- 5.11. If the potential to mitigate the cash flow risk cannot be mitigated through voluntary changes to project spend profiles then the Board will be presented with a set of proposed criteria, to agree which projects should be prioritised for their 2019/20 funding allocation. This will include a recommendation that those projects which are already in train will be prioritised for funding.
- 5.12. The Growing Places Fund (GPF) update report, under Agenda Item 9, sets out a potential proposal to borrow £425,691 from the LGF pot in 2019/20. It is expected that GPF projects will look to draw down their funding allocations at the beginning of 2019/20, whilst GPF repayments will not be forthcoming until the end of 2019/20. As such there is currently a £425,691 shortfall in GPF cash flow forecast in 2018/19.
- 5.13. Discussions with local partners in relation to the LGF spend profile in 2019/20 will be undertaken, as detailed in 5.11 above. If options are identified to bridge the 2019/20 funding gap for LGF projects then flexibility to borrow in year from the LGF pot to mitigate the GPF cash flow risk may be considered and a proposal will be brought back to a future Board meeting for consideration.

6. 2018/19 spend forecast update

- 6.1. The planned LGF spend in 2018/19 has been updated to take account of the additional slippage of LGF from 2017/18 to 2018/19, which have been confirmed through the end of year declarations. In addition, changes to the LGF spend profiles have been reported for projects in 2018/19, detailed in Table 5 below.
- 6.2. The expected LGF spend in 2018/19 now totals £97.450m in 2018/19, excluding Department for Transport (DfT) retained schemes. This is relative to £103.923m available through the £91.739m allocation from the Ministry for Housing, Communities and Local Government (MHCLG) and the £39.185m carried forward from 2017/18.
- 6.3. When the DfT retained scheme funding is taken into consideration, for projects such as the A13 widening, the forecast LGF spend increases to £116.459m including retained schemes.
- 6.4. The updated LGF spend reported in August 2018 is lower than the planned spend as agreed by the Board in March 2018/19. Adjustments have been made to the planned spend to take account of the additional LGF slippage/ acceleration of spend in 2017/18.

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- 6.5. In additional, Table 5 sets out the slippage and potential acceleration of LGF projects which have been identified since the last update report was received by the Board in May 2018. No slippages to LGF spend has been identified for Projects in Thurrock during the last quarter.
- 6.6. LGF spend in 2018/19 is currently under-profiled by £33.474m, as set out in Table 6 below. The forecast slippage of £33.474m LGF will help to provide a smoother profile to the LGF available for spend over future years of the Growth Deal programme. However, opportunities to accelerate LGF spend on existing LGF projects from 2019/20 to 2018/19 will be sought during the financial year where this does not adversely impact the over-profiling of the LGF programme in 2019/20.

Table 4 LGF spend forecast in 2018/19

LGF (£m)				Reasons for Variance	
	Updated planned spend in 2018/19 (as stated in March 2018 and 2017/18 slippage identified since end of the financial year)	Total forecast spend in 2018/19 (as reported in August 2018)	Variance*	Additional spend/slippage identified for 2018/19 **	Slippage previous agreed by the Board **
East Sussex	16.650	15.663	-0.988	-0.988	0.000
Essex	18.654	18.506	-0.148	0.866	-1.014
Kent	24.867	21.978	-2.889	0.357	-3.245
Medway	16.755	12.840	-3.915	-0.427	-3.488
Southend	17.573	6.121	-11.452	-7.825	-3.627
Thurrock	13.647	10.942	-2.705	0.000	-2.705
Skills	0.000	0.000	0.000	0.000	0.000
M20 Junction 10a	11.400	11.400	0.000	0.000	0.000
LGF Sub-Total	119.546	97.450	-22.096	-8.017	-14.079
Retained	35.454	19.010	-16.444	0.000	-16.444
Total Spend Forecast	154.999	116.459	-38.540	-8.017	-14.079

*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 5 Identified slippages or acceleration between 2018/19 and future years of the programme (£m)

Project	LGF forecast, as reported in May 2018 plus additional slippage into 2018/19 which has been identified since the end of the financial year.	Latest LGF spend forecast (as reported in August 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
East Sussex					
Hailsham/Polegate/Eastbourne Movement and Access Transport scheme	0.588	0.600	0.012	Opportunity to accelerate LGF spend has been identified.	The Board is asked to approve the acceleration of £0.012m LGF spend in 2018/19.
Hasting and Bexhill Movement and Access Package	2.012	1.012	-1.000	Design work has not yet commenced which may affect progress and spend over financial year. To mitigate this issue, a fixed term Project Manager is in place to focus on the project.	The Board is asked to approve the slippage of £1.000m LGF from 2018/19 to future years of the LGF programme.
Essex					
M11 Junction 8 Improvements	0.934	1.800	1.800	In May 2018, the Board agreed to accelerate LGF spend by £0.934m. The potential to	The Board is asked to approve the acceleration of LGF spend in 2018/19 by £0.866m.

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Project	LGF forecast, as reported in May 2018 plus additional slippage into 2018/19 which has been identified since the end of the financial year.	Latest LGF spend forecast (as reported in August 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
				further accelerate LGF spend on the project has been identified.	
Kent					
Ashford International Rail Connectivity (Ashford Spurs)	2.434	1.925	-0.509	Project underspend has been identified, support the resolution of technical issues for the project	The Board is asked to approve the re-profiling of a further 0.509m from 2018/19 to future years of the LGF programme.
Leigh Flood Storage Area	£0.000	0.866	0.866	Potential to accelerate LGF spend has been identified, subject to the approval of the project under Agenda Item 6.	The Board is asked to approve the acceleration of £0.866m LGF on the project in 2018/19, subject to approval of the project under Agenda Item 6
Medway					
Rochester Airport Phase 1	0.745	0.318	- 0.427	A change of project scope was agreed at the last Board	The Board is asked to approve the slippage of £0.427m from

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Project	LGF forecast, as reported in May 2018 plus additional slippage into 2018/19 which has been identified since the end of the financial year.	Latest LGF spend forecast (as reported in August 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
				meeting, but project issues have led to a delayed programme for project delivery.	2018/19 to future years of the LGF programme.
Southend					
Southend Central Area Action Plan (SCAAP) - Transport Package	2.483	1.150	-1.332	Delays to LGF spend due to the need to spend other funding contributions in advance of LGF	The Board is asked to approve the slippage of 1.332m LGF from 2018/19 to future years of the LGF programme.
Southend Airport Business Park	10.964	4.471	-6.493	A revised project programme has been submitted to SELEP alongside the full project business case.	The Board is asked to approve the slippage of 6.493m LGF from 2018/19 to future years of the LGF programme.

*Change to spend between 2018/19 spend forecast received in May 2018, relative to LGF spend forecast received in August 2018. Negative values show slippages to LGF spend, whilst positive values show acceleration to LGF spend.

Table 6 LGF spend relative to LGF available in 2018/19 (excluding retained schemes)

	(£m)
LGF allocation in 2018/19 from CLG	91.739
LGF carried forward from 2017/18	39.185
Total LGF available in 2018/19	130.923
Total LGF spend in 2018/19	97.450
Total slippage from 2018/19 to 2019/20	33.474

7. Retained schemes 2018/19 spend forecast update

- 7.1. In addition to the LGF received by SELEP from MHCLG, LGF is also received from the DfT for the delivery of retained projects. DfT retained projects, include six projects for which the DfT has a greater oversight, including direct reporting to the DfT on LGF spend and project delivery progress.
- 7.2. The forecast LGF spend on retained schemes in 2018/19 remains as stated at the last Board meeting, with a forecast LGF spend of £19.010m.
- 7.3. The Business Case for the A127 The Bell and the later phases of the A127 Essential Maintenance project are due to be bought forward in 2018/19 for approval by the Board. As the benefits of the two projects are very closely linked and to ensure that the benefits of the projects are not double counted it is proposed that one business case will be prepared for both projects. The business case and the funding decision will be bought forward for consideration by the Board at its next meeting on the 16th November 2018.

8. Deliverability and Risk

- 8.1. Appendix 2 sets out a delivery update and risk assessment for all projects included in the LGF programme.
- 8.2. To date, it is reported that a total of 3,635 jobs and 4,495 dwellings have been completed through LGF investment to date, as Table 7 below. No outputs in terms of jobs or homes have been reported by East Sussex, Southend or Thurrock to date.

Table 7 Jobs and dwellings delivered through LGF investment to date

	Jobs	Houses
East Sussex	-	-
Essex	3,388	3,331
Kent	166	1,049
Medway	81	115
Southend	-	-
Thurrock	-	-
Total	3,635	4,495

- 8.3. Through the last quarter, workshop meetings have been held between the SELEP ITE and each Federated Board to discuss the SELEP monitoring and evaluation approach and to support officers in completing this information for each LGF project following project completion.
- 8.4. Deadlines will now be agreed with Federated Areas for the completion of 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.
- 8.5. The summary project risk assessment position is set out in Table 8 below. A score of 5 represents high risk whereas a score of 1 represents low risk.
- 8.6. The risk assessment has been conducted in accordance with the Ministry for Housing and Local Government (MHCLG) guidance for the assessment of LGF projects based on:
- 8.6.1. Delivery – considers project delays and any delays to the delivery of project outputs/outcomes
 - 8.6.2. Finances – considers changes to project spend profiles and project budget
 - 8.6.3. Reputation – considers the reputational risk for the delivery partner, local authority and LEP

Table 8 LGF project delivery, financials and reputational risk (5 high risk, 1 low risk)

Score	Delivery	Financials	Reputational	Overall
5	11	5	2	4
4	10	10	3	13
3	17	13	15	20
2	13	19	15	20
1	46	50	62	40
Total	97	97	97	97

8.7. Further detail is provided for the four projects which are identified as having a high overall project risk (overall risk score of 5)

- Beaulieu Park Railway Station

The project is currently categorised as high risk owing to the current substantial gap in funding to deliver the project. The project has passed to the next stage of assessment to secure funding through MHCLG Housing Infrastructure Funding (HIF), but a Business Case and further assessment is required before the HIF can be secured. In addition, there is a risk that the full £12m LGF allocation will not be spent within the Growth Deal period.

A Business Case is due to be submitted for consideration by the Board in advance of the end of the financial year and work is underway to understand the amount of LGF which can be spent by the end of the Growth Deal period.

- A28 Chart Road

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. The vegetation clearance work has now been put on hold and the LGF spend forecast for the project in 2018/19 has been reduced.

Meetings have been held between Kent County Council, Homes England, Ashford Borough Council and the developers to establish what can be done to secure the additional investment required to enable the project to be delivered, in the absence of a security bond being provided by the developers. However, no alternative solution has been forthcoming to date.

Kent County Council is currently reviewing alternative delivery options for the scheme. Following further local consideration of the Project, including a senior officer meeting scheduled for the 14th September involving Kent County Council, Homes England and Ashford Borough Council, a decision will be brought to the Board on the 16th November 2018. If a solution cannot be identified to deliver the project then it is likely that the £2.756m LGF expenditure on the project to date will become an abortive cost, which will need to be returned to SELEP.

- Maidstone Integrated Transport Package (ITP)

The first phase of the Maidstone ITP, for junction improvements at either end of Wilmington Street, was awarded £1.3m LGF funding in February 2016. There are also developer contributions which completes the funding package. However, the Phase 1 project is currently on hold pending further local consideration of the proposed scheme.

Despite the funding decision having been made in early 2016, and the Business Case stating an expected completion date of March 2017, the Phase 1 project has

not yet progressed to a delivery phase. Following further local consideration, a decision will be sought from the Board at the next meeting on the 16th November 2018. This decision is likely to involve a change to the projects scope. When this decision is brought to the Board, any abortive project costs will need to be considered.

Phase 2 of the Maidstone ITP scheme was award £2.7m LGF for M20 Junction 5 Coldharbour at the last meeting of the Board and will now progress towards delivery.

- Thanet Parkway

In total, Thanet Parkway project is allocated £10m LGF. At the outset of 2018/19 financial year the LGF spend profile was adjusted to re-profile the LGF spend towards the end of the LGF programme. The project is rated as high risk owing to the substantial funding gap for the project of around £15m. Discussions with potential third party investors are ongoing but have not been successful to date. Whilst Kent County Council has now started on Network Rail GRIP Stage 4, no LGF has been approved by the Board to date until the funding package is in place to deliver the project.

9. LGF Programme Risks

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

Project LGF spend within Growth Deal period

Risk: There is a clear expectation from Central Government that LGF is spent on LGF projects during the Growth Deal period, until 31st March 2021. This creates a reputational risk in terms of our ability to bid and successfully secure funding from Central Government for funding streams which follow on from the Local Growth Fund, such as the Shared Prosperity Fund.

Mitigation: The LGF3B process is well underway to establish a refreshed project pipeline to the end of the Growth Deal should underspend become available. The LGF3B projects will be considered by the Investment Panel on the 7th December 2018.

Slippage of LGF from 2017/18 to future years of the programme

Risk: The outturn position for 2017/18, detailed in section 4 above, identifies a total slippage of £39.185m LGF from 2017/18 to future years of the growth deal programme. 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.

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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 availability of LGF in 2019/20.

For projects which are unable to demonstrate spend of an LGF allocation by the end of the Growth Deal period then the funding allocation will be considered by the Investment Panel, at its meeting on the 7th December 2018.

Availability of LGF to align with project spend profile

Risk: The availability of LGF during future years of the LGF programme does not match the forecast spend profile for LGF projects. As shown in Figure 1 and Table 4, the forecast LGF spend in 2019/20 exceeds the expected amount of LGF available in 2019/20 by £5.991m and that the gap could be exacerbated through any re-allocation of funding which is agreed following the LGF3B prioritisation process.

Mitigation: To help ensure LGF allocations are available to align with project spend profiles, some funding may intentionally be carried between financial years to help manage the overall programme. The timing of LGF relative to local funding contributions to projects is also under review. Updates will be provided within the Capital Programme Update at each Board meeting to ensure that the planned LGF spend profile is considered in relation to the funding made available by Government.

Governments 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 has yet to be confirmed. In addition, the 'Strengthening Local Enterprise Partnerships' document which was published on the 24th July 2018 by MHCLG states that new legal structures should be in place by April 2019, ahead of any release of further local growth funding. This created a risk to SELEP receiving its 2019/20 LGF allocation, as SELEP is one of few LEPs in the country without a legal personality.

Mitigation: SELEP continues to seek assurances and formal confirmation of SELEP's LGF allocation to future years of the programme. In addition, SELEP continues to demonstrate strong governance arrangements through compliance with the Mary Ney recommendations on Governance and Transparency, with compliance with the LEP National Assurance Framework and recommendations of the Mary Ney review is a condition for SELEPs LGF and core funding award.

On the 28th September 2018, the SELEP Strategic Board will consider SELEP's response in relation to the LEP review and Government's proposal for new legal structures.

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 housing delivery from 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.

Total project cost escalation

Risk: For certain LGF projects included in our Growth Deal, the total cost estimate has increased since the original bid submission and provisional LGF allocation was awarded. Increases in total project costs may impact on our ability to deliver the projects and outcomes/outputs which SELEP committed to achieve through LGF investment. Escalations in project cost may also impact on the Value for Money case for projects included in our Growth Deal.

Mitigation: SELEP is now taking a proactive approach in monitoring the total cost of LGF projects. Any changes to the total cost of a project must be reported to the Board through the Change Request process to ensure that projects continue to demonstrate Value for Money. Where cost escalation occurs, it is expected that this increase in costs will be met by local partners, unless agreed with the Board otherwise.

10. Financial Implications (Accountable Body comments)

10.1. The publication of findings of the Ministerial Review of Local Enterprise Partnerships was published in July 2018. Whilst Government signalled strong support for LEPs as a policy and as organisations charged with the delivery of the National Industrial Strategy, it should be noted that there is currently some uncertainty as to the geographical boundaries of all LEPs. Each LEP has been asked to come forward with proposals by the end of September on geographies which best reflect real functional economic areas, remove overlaps and, where appropriate, propose wider changes such as mergers. Should any proposals be put forward and agreed, the revised structure would not be expected to go live until April 2021. Any changes to structure would need to consider the impact on in-flight projects and their delivery. At time of writing, no specific risks arising from this process have been identified, but the uncertainty pertaining to future structures and the high possibility of risks emerging should be noted. Greater certainty on potential risks should become evident following the end of September deadline. It is understood that a report

is due to be presented to the SELEP Strategic Board on the 28th September to consider the implications of the LEP review proposals.

- 10.2. Any funding agreed by the Board is dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2018/19 have been confirmed however funding for future years for this project is indicative. It should be noted that further governance requirements may be necessary following the anticipated updates to the National Assurance Framework in autumn 2018. Government is likely to make any future funding allocations contingent on full compliance with the updated National Assurance Framework.
- 10.3. There is a high level of slippage within the overall programme which totalled £43.485 by the end of 2017/18; this presents a programme delivery risk due to the increased proportion of projects now due to be delivered in the final years of the programme; and it presents a reputational risk for SELEP regarding securing future funding from Government where demonstrable delivery of the LGF Programme is not aligned to the funding profile. This risk, however, is offset in part by the recognition that the profile of the LGF allocations did not consider the required spend profile when determined by HM Government.
- 10.4. This misalignment of the funding profile has created a further risk, in 2019/20; whilst there is sufficient funding for all LGF projects across the duration of the programme, in 2019/20 there is currently a funding gap of £5.991m (including the requirements of this project).
- 10.5. It is noted that this risk is being carefully monitored by the SELEP Capital Programme Manager with potential options for mitigation being considered with partners. Potential options include: reviewing options to advance alternative funding sources ahead of LGF spend; and delaying delivery of projects into 2020/21 where the funding is available. In reviewing the options across the whole programme, minimising the risk to delivery and assuring value for money should be key considerations.
- 10.6. The further allocation of funding through the LGF3b call for projects must include a full consideration of potential profile of drawdown of LGF funding to ensure that any new allocations do not have an adverse effect on the gap. Whilst it is paramount that the gap is managed, SELEP must also ensure that agreed spending profiles for new projects are deliverable in the timeframes available.

11. Legal Implications (Accountable Body comments)

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

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.

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

12.1 Appendix 1 – LGF financial update

12.2 Appendix 2 – Project deliverability and risk update

14. 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	05/09/18
(On behalf of Margaret Lee)	