

**Forward Plan reference number:** FP/AB/155

<b>Report title:</b> Capital Programme Management of the Local Growth Fund	
<b>Report to Accountability Board</b>	
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<b>Meeting Date:</b> 15 <sup>th</sup> June 2018 <b>Date of report:</b> 18 <sup>th</sup> May 2018	<b>For:</b> Decision
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<b>SELEP Partner Authority affected:</b> 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 provisional outturn report for LGF spend in 2017/18 and provides an update on the spend forecast for 2018/19. In addition, the report provides an update on 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 provisional outturn position for LGF spend in 2017/18
- 2.1.2. **Note** the updated LGF spend forecast for 2018/19
- 2.1.3. **Note** deliverability and risk assessment
- 2.1.4. **Approve** the acceleration of LGF spend in 2018/19 for the following five projects:

- 2.1.4.1. A414 Pinch Point Package (£487,000)
- 2.1.4.2. A131 Braintree to Sudbury (£630,000), subject to LGF award under Agenda Item 5
- 2.1.4.3. M11 Junction 8 Improvements (£900,000)
- 2.1.4.4. Kent and Medway Growth Hubs (£618,000)
- 2.1.4.5. A226 London Road/ B255 St Clements Way (£535,000)

- 2.1.5. **Approve** the re-profiling of LGF spend from 2018/19 to future years of the growth deal programme for the following twelve projects:

- 2.1.5.1. A131 Chelmsford to Braintree (£750,000)
- 2.1.5.2. A414 Harlow to Chelmsford (£630,000)
- 2.1.5.3. Chelmsford City Growth Area (£1.500m)
- 2.1.5.4. A28 Chart Road (£3.238m)
- 2.1.5.5. Ashford International Rail Connectivity Project (£1.161m)
- 2.1.5.6. A289 Four Elms Roundabout (£275,000)
- 2.1.5.7. Rochester Airport Phase 1 (£2.903m)

- 2.1.5.8. Rochester Airport Phase 2 (£310,000)
- 2.1.5.9. Southend Airport Business Park Phases 1 and 2 (£3.627m)
- 2.1.5.10. London Gateway/Stanford le Hope (£2.705m)
- 2.1.5.11. A127 The Bell (£3.040m)
- 2.1.5.12. A13 Widening (£13.323m)

### 3. LGF Delivery Update

- 3.1. To date, the Board has approved a total of 75 LGF projects in full and the part approval to a further 9 projects, as set out in Appendix 3. The award of LGF funding by the Board now totals £458.806m, excluding the funding decisions sought at this Board meeting.

- 3.2. A total of 18 projects have been completed. 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 East Sussex Strategic Growth Package is progressing at pace to create 34,632sqm of new commercial space at three locations in East Sussex. Road infrastructure at the Eastbourne site has now been completed and a planning application has been submitted for Phase 2. Whilst at Bexhill Enterprise Zone, the steel structure at the phase 1 site is almost complete with work on the roofing and facades to begin in early July 2018.

3.3.2. **Essex:** Substantial progress has been made towards the delivery of the £50m Innovation Centre at the University of Essex Colchester Campus, which has been supported by SELEP through £2m LGF investment. The Innovation Centre framework has been erected and project is on track to complete in 2019. In total, the project is set to support 50 local businesses as part of the Knowledge Gateway Business Park at the University.

3.3.3. **Kent:** Following the completion of A20 Junction Improvements in Dover, which received £5m LGF award, work is now underway to deliver the Marina Pier. The accelerated delivery of the Marina Pier formed part of the commitment from the Port of Dover in receiving the £5m LGF award from SELEP.

The A20 Junction Improvements have enhanced access to the Port of Dover and Dover Town Centre, whilst the Marina Pier forms part of £250m Dover Western Docks Revival Package, which will include the transformation of Dover Waterfront.

3.3.4. **Medway:** Construction works are progressing on site in Chatham to improve the link between Chatham Railway Station, the Town Centre and the Waterfront. The regeneration of Chatham Town Centre, part

funded through £4m LGF investment is due to complete during 2018/19.

- 3.3.5. **Southend:** The £31m Southend Airport Business Park project, supported through £23m LGF investment has seen progress continue with the new rugby pitches having been completed. The completion of the new rugby pitches will enable the re-location of the Rugby Club which will unlock the site for development of 1million sqft of commercial development. The next stage of the project is for the procurement and completion of utility works for the Phase 1 site.
- 3.3.6. **Thurrock:** Work on the £78m A13 widening project is progressing with vegetation clearance nearing completion. In 2017, the project achieved higher than expected LGF spend towards the end of the financial year through advance payments to statutory undertakers. A full update on the project is provided under Agenda Item 11.
- 3.3.7. **Capital Skills Projects:** The £22m LGF skills capital funding is now fully invested in 29 projects across the SELEP area. Appendix 4 showcases some of the skills projects which have been supported through this investment. This includes the investment of £198,000 at the Engineering Skills Growth Hub, Medway and the £82,000 in the Transport and Logistics Skills Hub in Swale.
- 3.4. A progress update on all 97 projects can be found in Appendix 3.
- 4. 2017/18 Provisional Outturn Position**
  - 4.1. On the 16<sup>th</sup> March 2018, the Board was presented with the final planned spend position for 2017/18 amounting to £88.857m excluding Department for Transport (DfT) 'retained schemes' and £104.069m including retained schemes.
  - 4.2. LGF updates have been provided by each local area during May 2018 which includes the provisional outturn for 2017/18, as summarised in Table 1 overleaf. This indicates a total LGF spend of £80.732m LGF excluding DfT retained schemes and £95.863m including retained schemes.

**Table 1 Provisional outturn relative to planned spend in 2017/18**

LGF (£m)					
	Planned spend in 2017/18 (as restated in September 2017)	Total forecast spend in 2017/18 (as reported in January 2018)	Total spend in 2017/18 (actuals - as reported in May 2018)	Variance*	Spend relative to planned spend in 2017/18 (%)
East Sussex	26.219	22.963	22.680	-3.538	86.51%
Essex	17.867	19.299	17.345	-0.522	97.08%
Kent	32.236	20.913	19.594	-12.642	60.78%
Medway	12.299	4.749	4.429	-7.870	36.01%
Southend	13.508	3.658	3.372	-10.136	24.96%
Thurrock	12.293	8.905	4.941	-7.352	40.20%
Skills	0.096	0.071	0.071	-0.025	73.58%
M20 Junction 10a	8.300	8.300	8.300	0.000	100.00%
LGF Sub-Total	122.817	88.857	80.732	-42.084	
Retained	31.126	15.211	15.130	-15.996	
Total Spend Forecast	153.943	104.069	95.863	-58.080	

- 4.3. The latest update reporting indicated that the LGF slippage from 2017/18 to 2018/19 totals £37.784m (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 Government	92.088
LGF carried forward from 2016/17	26.428
Total LGF available in 2017/18	118.516
Total LGF spent in 2017/18	80.732
Total slippage from 2017/18 to 2018/19	37.784

- 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 (£4m LGF slippage)
  - 4.4.3. Southend Airport Business Park (£9.198m LGF slippage)
  - 4.4.4. Purfleet Centre (£3.355m LGF slippage)
- 4.5. For a majority of LGF projects, the slippage which has been identified since the last Board meeting will be added to the respective project allocations in 2018/19, with the exception of the following five projects:
- 4.5.1. Basildon Integrated Transport Package;
  - 4.5.2. Beaulieu Park Railway Station;
  - 4.5.3. A28 Sturry Integrated Transport Package;
  - 4.5.4. A28 Chart Road; and
  - 4.5.5. Ashford International Rail Connectivity (Ashford Spurs)
- 4.6. For these projects, spend of the additional slippage will be deferred until future years of the programme owing to amendments to the project delivery schedule and spend profiles.
- 4.7. Statements of Grant Usage are currently being sought from each of the six upper tier authorities to confirm the amount of LGF spend in 2017/18 in accordance with the Grant Conditions from Government and the Service Level Agreements which are in place between the SELEP Accountable Body and each Upper Tier Authority. Following audit, the final LGF spend position for 2017/18 will be reported to the Board at the next meeting in September 2018.

## **5. 2018/19 and future years LGF spend profile**

- 5.1. SELEP's Grant Offer Letter has now been received and is attached in Appendix 1 of this report. This letter confirms the grant allocation in 2018/19 as £91,738,956, as expected, and the future indicative LGF allocations, as set out in Table 3 below.

**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

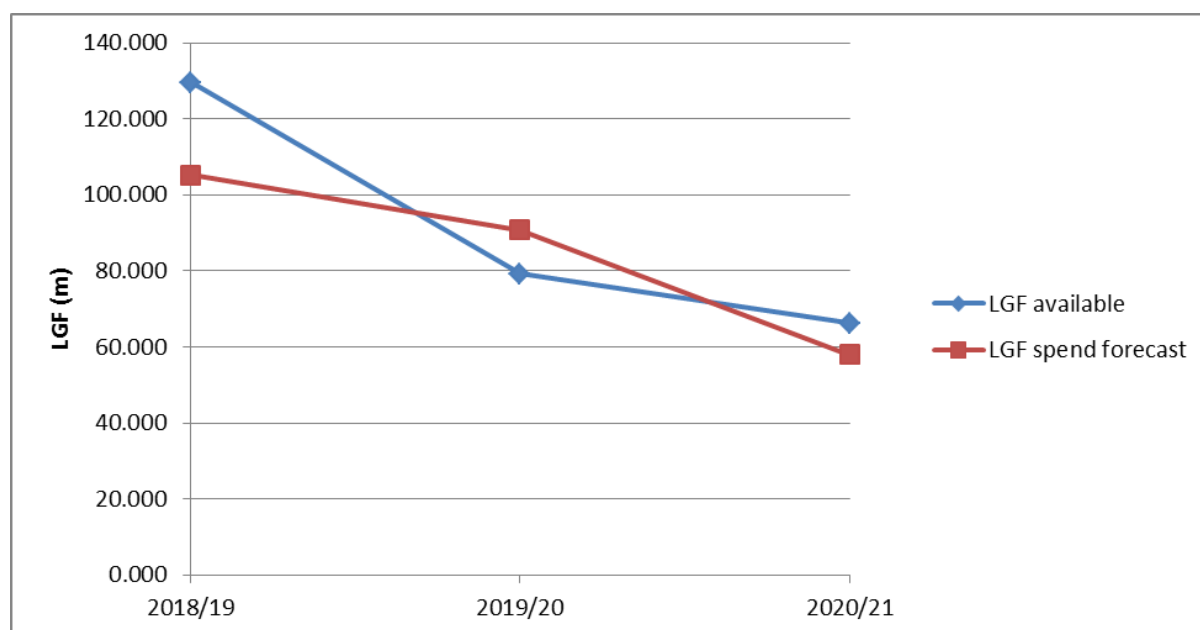
- 5.2. The LGF which has been received by SELEP for 2018/19 and the future year indicative profile is consistent with the indicative profile received from Government in Grant Offer Letters from previous years.
- 5.3. As reported to the Board previously, the spend forecast in 2019/20 currently exceeds the amount of LGF available by £11.609m, owing to the uneven spend profile of the LGF grant from Central Government. This over-profiling in

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2019/20 has reduced by £2.263m from £13.872m since the last update report due to the re-profiling of LGF spend from 2019/20 to 2020/21 by local partners.

- 5.4. As such, there is currently a planned slippage of LGF grant between 2018/19 to 2019/20 to help mitigate the cash flow risk in 2019/20.
- 5.5. The intentional carry forward of LGF from 2018/19 to 2019/20 will help reduce the over profiling of LGF spend in 2019/20 to £11.609m.

**Figure 1 LGF spend forecast relative to LGF available**



### Current Forecast Position - Forecast spend v LGF available

£m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Actual spend or current forecast	55.562	69.730	80.732	105.239	90.808	57.900	459.971
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	37.784	24.284	-11.609	
Total grant funding in year	69.450	96.158	118.516	129.523	79.199	66.264	
Over/ (under) allocation		26.428	37.784	24.284	-11.609	8.364	

- 5.6. The over-profiling in 2019/20 will be closely monitored through the quarterly LGF Capital Programme updates to the Board. However, based on the slippage to project spend through previous years of the LGF programme, it is expected that the £11.609m over-profiling will be mitigated through a slippage of LGF spend from 2018/19 and 2019/20 into 2020/21.

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- 5.7. In addition, opportunities will be sought to further mitigate this risk through working with local partners to identify projects where local funding contributions can be spent in advance of LGF and through delaying LGF spend on specific projects, prioritising those where this does not adversely impact on the projects' delivery within the Growth Deal period.

### 6. 2018/19 spend forecast update

- 6.1. The LGF spend forecast of £105.239m for 2018/19, excluding retained schemes has been updated to take account of the additional slippage of LGF from 2017/18 to 2018/19 and changes to project spend profiles, detailed in Table 5 below.
- 6.2. The forecast LGF spend in 2018/19, as set out in Table 4, totals £105.239m excluding DfT retained schemes. This is relative to the £129.523m available in 2018/19, through the 2018/19 LGF allocation from Government of £91.739m and the £37.784m available through carry forward of LGF from previous years of the programme. As such, LGF spend in 2018/19 is currently under-profiled by £24.284m, as set out in Table 6 below.
- 6.3. The forecast slippage of £24.284m LGF will be used help offset the difference between the planned spend and LGF available in 2018/19. 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	
	Planned spend in 2018/19 (as stated in March 2018)	Total latest forecast spend in 2018/19 (as reported in May 2018)	Variance*	Additional spend/slippage identified for 2017/18	Slippage/acceleration of LGF spend between 2018/19 and future years of the programme (explained in Table 5)
East Sussex	16.368	16.650	0.282	0.282	0.000
Essex	18.550	17.606	-0.944	0.104	-1.048
Kent	23.764	21.621	-2.142	1.103	-3.245
Medway	16.436	13.266	-3.169	0.319	-3.488
Southend	17.074	13.733	-3.341	0.286	-3.627
Thurrock	9.702	10.961	1.260	3.964	-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	113.293	105.239	-8.055	6.059	-14.113
Retained	35.373	19.010	-16.363		
Total Spend Forecast	148.666	124.248	-24.418		

\*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.

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

Project	Planned spend in 2018/19 (as agreed in March 2018) and LGF carried forward from 2017/18 (£m)	Latest LGF spend forecast (£m)	Re-profiling from 2018/19 to 2019/20 (£m)	Reason for Change	Board Decision
<b>Essex</b>					
A414 Pinch Point Package	0.000	0.487	0.487	Increase in LGF spend in 2018/19 due to the increased LGF allocation to the Project agreed by the Board in March 2018	The Board is asked to approve the acceleration of £0.487m LGF in 2018/19
A131 Chelmsford to Braintree	1.854	1.104	-0.750	The amount of LGF spend in 2018/19 has been adjusted in light of the acceleration of £0.750m in 2017/18.	The Board is asked to approve the slippage of £0.750m LGF from 2018/19 to future years of the LGF programme
A414 Harlow to Chelmsford	1.830	1.200	-0.630	The amount of LGF spend in 2018/19 has been adjusted to realign the project spend profile with the design and build	The Board is asked to approve the slippage of £0.630m LGF from 2018/19 to future years of the LGF programme



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Project	Planned spend in 2018/19 (as agreed in March 2018) and LGF carried forward from 2017/18 (£m)	Latest LGF spend forecast (£m)	Re-profiling from 2018/19 to 2019/20 (£m)	Reason for Change	Board Decision
				phasing.	
A131 Braintree to Sudbury	0.000	0.445	0.445	The potential to accelerate project LGF spend has been identified, subject to approval of the project under agenda item 5	The Board is asked to approve the acceleration of £0.445m LGF spend in 2018/19, subject to the approval of the project under agenda item 5
Chelmsford City Growth Area	4.000	2.500	-1.500	The amount of LGF spend in 2018/19 has been adjusted in light of the acceleration of £1.500m in 2017/18.	The Board is asked to approve the slippage of £1.500m LGF from 2018/19 to future years of the LGF programme
M11 Junction 8 Improvements	0.000	0.900	0.900	The potential to accelerate LGF spend on the project has been identified.	The Board is asked to approve the acceleration of £0.900m LGF spend in 2018/19.
<b>Kent</b>					
Kent and Medway Growth Hub (I3 project)	0.043	0.661	0.618	LGF spend to be accelerated owing to	The Board is asked to approve the acceleration

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Project	Planned spend in 2018/19 (as agreed in March 2018) and LGF carried forward from 2017/18 (£m)	Latest LGF spend forecast (£m)	Re-profiling from 2018/19 to 2019/20 (£m)	Reason for Change	Board Decision
				additional LGF spend having been achieved in 2017/18.	of £0.618m LGF spend in 2018/19
A28 Chart Road	3.238	0.000	-3.238	Project issues. See section 8 below.	The Board is asked to approve the slippage of £3.238m LGF from 2018/19 to future years of the LGF programme.
Ashford International Rail Connectivity (Ashford Spurs)	3.595	2.434	-1.161	Project underspend has been identified. Decision to be sought from the Board at a future meeting on the proposed use of the LGF underspend	The Board is asked to approve the re-profiling of 1.161m from 2018/19 to future years of the LGF programme.
A226 London Road/ B255 St Clements Way	2.104	2.638	0.535	Potential to accelerate LGF spend has been identified.	The Board is asked to approve the acceleration of £0.535m LGF on the project in 2018/19.

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Project	Planned spend in 2018/19 (as agreed in March 2018) and LGF carried forward from 2017/18 (£m)	Latest LGF spend forecast (£m)	Re-profiling from 2018/19 to 2019/20 (£m)	Reason for Change	Board Decision
<b>Medway</b>					
A289 Four Elms Roundabout	2.155	1.880	-0.275	Project delays have been experienced due to the change of project scope agreed by the Board in February 2018	The Board is asked to approve the slippage of £0.275m LGF from 2018/19 to future years of the LGF programme.
Rochester Airport Phase 1	3.648	0.745	-2.903	Project change of scope has been proposed, as detailed in Agenda Item 10.	The Board is asked to approve the slippage of £2.903m LGF from 2018/19 to future years of the LGF programme.
Rochester Airport Phase 2	0.520	0.210	-0.310	Project change of scope has been proposed, as detailed in Agenda Item 10.	The Board is asked to approve the slippage of £0.275m LGF from 2018/19 to future years of the LGF programme.
<b>Southend</b>					
Southend Airport Business Park (Phases	14.591	10.964	-3.627	Slippage of LGF spend in 2018/19 to due to	The Board is asked to approve the slippage of

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Project	Planned spend in 2018/19 (as agreed in March 2018) and LGF carried forward from 2017/18 (£m)	Latest LGF spend forecast (£m)	Re-profiling from 2018/19 to 2019/20 (£m)	Reason for Change	Board Decision
1 and 2)				the delayed tender of site utility works.	£3.627m LGF from 2018/19 to future years of the LGF programme.
<b>Thurrock</b>					
London Gateway/ Stanford le Hope	5.245	2.541	-2.705	Slippage of LGF spend in 2018/19 due to programme delays. See section 8 below.	The Board is asked to approve the slippage of £2.705m LGF from 2018/19 to future years of the LGF programme.

**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	37.784
Total LGF available in 2018/19	129.523
Total LGF forecast spent in 2018/19	105.239
Total forecast slippage from 2018/19 to 2019/20	24.284

## 7. Retained schemes 2018/19 spend forecast update

- 7.1. LGF spend on retained schemes in 2018/19 is forecast to total £19.010m, reduced from planned spend of £35.373m LGF in 2018/19 as reported to the Board in March 2018.
- 7.2. The reduced LGF spend forecast in 2018/19 is due to a substantial decrease in the planned spend for the A13 widening project, as detailed in the project update report (Agenda Item 11). In addition, the Business Case for A127 The Bell project is not due to be considered by the Board for approval until September 2018 and as such, the spend forecast in 2018/19 has been reduced accordingly.
- 7.3. The revised planned spend for the A13 widening and the A127 The Bell has been accepted by the Department for Transport (DfT) and the DfT will be releasing LGF for these two retained projects in line with the revised spend forecasts.

## 8. Deliverability and Risk

- 8.1. Appendix 3 sets out a delivery update and risk assessment for all projects included in the LGF programme, as summarised in Table 7 below. A score of 5 represents high risk whereas a score of 1 represents low risk.
- 8.2. 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:
  - 8.2.1. Delivery – considers project delays and any delays to the delivery of project outputs/outcomes
  - 8.2.2. Finances – considers changes to project spend profiles and project budget
  - 8.2.3. Reputation – considers the reputational risk for the delivery partner, local authority and LEP

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

Score	Delivery	Financials	Reputation	Overall
5	13	7	2	6
4	13	12	3	14
3	15	13	17	21
2	13	16	13	17
1	43	49	62	39
<b>Total</b>	<b>97</b>	<b>97</b>	<b>97</b>	<b>97</b>

### 8.3. Further detail is provided for the five 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 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.

SELEP and Essex County Council are working to seek confirmation from Central Government about the implications for the LGF spend extending beyond the Growth Deal period. In addition, confirmation is being sought from MHCLG about the timescales and process for the submission of the project Business Case in order to secure HIF.

- 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. Whilst LGF spend was due to be accelerated in 2017/18 to support the start of start of project construction in 2018/18, the vegetation clearance work has now been put on hold and the LGF spend forecast for the project has been reduced.

Kent County Council is currently reviewing alternative delivery options for the scheme. A further detailed updated on project will be provided to the Board in September 2018, to consider the potential options in relation to the Project.

- 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 November 2015. 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. A detailed updated on the delivery of Phase 1 is presented under agenda item 1, alongside the consideration of Phase 2 for the award of £2.7m LGF for M20 Junction 5 Coldharbour scheme.

- 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. Discussions with potential third party investors are ongoing but have not been successful to date. As such, whilst the development of the project progresses towards 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.

- Rochester Airport

Following an increase in project cost having been identified, a change of project scope is sought. Under agenda item 10 a full update is provided on the delivery of Rochester Airport Phase 1 and Phase 2 project for consideration by the Board.

- Stanford le Hope/ London Gateway

An increase to the total cost of the project has been identified, which is expected to result in a project funding shortfall. The project will progress to the completion of detailed design work in order to confirm the revised project cost estimate. A full project update will be provided to the Board following the completion of the detailed design work.

### 9. LGF Programme Risks

- 9.1. In addition to project specific risks, the following LGF programme risks have also been identified. These risks have been listed in terms of the scale of impact they are expected to have on the LGF programme and the management of the programme going forward.

#### *Availability of LGF to align with project spend profiles*

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, the forecast LGF spend in 2019/20 exceeds the expected amount of LGF available in 2019/20 by £11.609m.

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.

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

Risk: The provisional outturn position for 2017/18, detailed in section 4 above, identifies a slippage of £37.784m 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.

Recommendations are also being made to the SELEP Strategic Board for the reallocation of LGF where it is not possible to demonstrate the deliverability of LGF and spend of LGF projects within the Growth Deal period (to March 2021).

### *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.

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.

### *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: SELEP has commenced work, with the SELEP Independent Technical Evaluator (ITE), developing new templates for the completion of post scheme evaluation data to provide a consistent approach to the monitoring of project outputs and outcomes following scheme completion.

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 declared provisional outturn for 2017/18 (not including retained schemes) is £8.125m lower than declared at the March Accountability Board. The total slippage compared to available funds for the year is £37.784m or 32%. This large volume of slippage presents both a reputational and a delivery risk to the partnership. Continued slippage in delivery and spend may impact the future potential LGF grants from Government. However, the recently received grant determination for 2018/19 was in line with expectations and the indicative allocations for future years also are in line with previously provided figures.
- 10.2. 2019/20 continues to be over-programmed at a net level of approximately £11.6m. Accountability Board is reminded that the Accountable Body will not make payments to partners, if those payments would put the Partnership into a cash deficit position. This presents a delivery risk to partners who are currently programming spend in 2019/20. Considering past performance, it is likely that further slippage will occur through the year, but to offset the funding gap in 2019/20, it will be necessary for £11.6m of delivery to slip further into the final year of the programme. It is recommended that the Partnership and partners identify which projects will slip delivery into 2020/21 as soon as practicable so the implications of that can be considered.
- 10.3. There continues to be a high risk of spend and delivery continuing beyond the end of the planned programme at 31 March 2021. The further slippage of delivery outlined above would further increase that risk. It is now imperative that assurances are given by Central Government on extending the programme beyond the March 2021 date. It is recommended that in the next Capital Programme update, a list of projects that could potentially slip beyond the March 2021 date is provided to the Board.

### **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 their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and 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 – South East LEP Grant Offer Letter 2018/19
- 12.2 Appendix 2 – LGF financial update
- 12.3 Appendix 3 – Project deliverability and risk update
- 12.4 Appendix 4 – Skills Capital 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)**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>	
Stephanie Mitchener (On behalf of Margaret Lee)	7/6/18