

Report to Accountability Board	Forward Plan reference number: FP/AB/140
Date of Accountability Board Meeting:	16 th March 2018
Date of report:	8th March 2018
Title of report:	Capital Programme Management of the Local Growth Fund
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1. Purpose of report

- 1.1 The purpose of this report is to update the SELEP Accountability Board (the Board) on the latest position of the Local Growth Fund (LGF) Capital Programme, as part of SELEP's Growth Deal with Government.
- 1.2 The report considers the LGF spend forecast to the end of 2017/18 and presents the budget for 2018/19.

2. Recommendations

- 2.1 The Board is asked to:

- 2.1.1 **Note** the updated LGF spend forecast for 2017/18
- 2.1.2 **Agree** the project delivery and risk assessment, as set out in Appendix 3.
- 2.1.3 **Agree** the slippage of LGF spend from 2017/18 to 2018/19 for the following projects:
 - 2.1.3.1 Hailsham/Polegate/ Eastbourne Movement and Access Transport scheme (£1.128m);
 - 2.1.3.2 Hastings and Bexhill Movement and Access Package (£0.969m);
 - 2.1.3.3 East Sussex Strategic Growth Project (£2.755m);
 - 2.1.3.4 Basildon Integrated Transport Package (£1.268m)
 - 2.1.3.5 Kent and Medway Growth Hub (£1.500m);
 - 2.1.3.6 Tunbridge Wells Junction Improvements and A26 Cycle Route (£0.565m);
 - 2.1.3.7 Kent Strategic Congestion Management Package (£0.208m);
 - 2.1.3.8 Kent Rights of Way Improvement Plan (£0.150m);
 - 2.1.3.9 Kent Sustainable Interventions Programme (£0.013m);
 - 2.1.3.10 Maidstone Integrated Transport Package (£1.135m);
 - 2.1.3.11 Ashford International Connectivity Project – Ashford Spurs (£3.060m);
 - 2.1.3.12 A226 London Road/ B225 St Clements Way (£0.312m);
 - 2.1.3.13 Coastal Communities Housing Intervention – Thanet (£0.512m);
 - 2.1.3.14 Dartford Town Centre Transformation (£0.200m);
 - 2.1.3.15 Fort Halsted (£1.530m);
 - 2.1.3.16 A2 off-slip at Wincheap, Canterbury (£0.354m);

- 2.1.3.17 Leigh Flood Storage Area and East Peckham - unlocking growth (£0.091m);
 - 2.1.3.18 A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements (£1.911m);
 - 2.1.3.19 Strood Town Centre Journey Time and Accessibility Enhancements (£1.625m);
 - 2.1.3.20 Chatham Town Centre Place- Making and Public Realm Package (£1.269m);
 - 2.1.3.21 Medway Cycle Action Plan (£0.136m);
 - 2.1.3.22 Medway City Estate Connectivity Measures (£0.065m);
 - 2.1.3.23 Rochester Airport Phase 1 (£2.582m);
 - 2.1.3.24 Southend Central Area Action Plan (£0.850m); and
 - 2.1.3.25 London Southend Airport Business Park Phase 1 and Phase 2 (£8.999m).
- 2.1.4 **Agree** the acceleration of LGF spend in 2017/18 for the following projects:
- 2.1.4.1 Queensway Gateway Road (£1.540m);
 - 2.1.4.2 Chelmsford City Growth Area (£0.500m);
 - 2.1.4.3 Technical and Professional Skills Centre at Stansted Airport (£1.000m)
 - 2.1.4.4 Kent Thameside LSTF (£0.106m);
 - 2.1.4.5 A28 Chart Road (£1.913m);
 - 2.1.4.6 A28 Sturry Link Road (£0.059m);
 - 2.1.4.7 Kent and Medway EDGE Hub (£0.500m);
 - 2.1.4.8 A2500 Lower Road (£0.200m); and
 - 2.1.4.9 Strood Civic Centre – flood mitigation (£0.338m);
- 2.1.5 **Approve** the acceleration of £0.338m LGF spend in 2017/18 for the Strood Civic Centre Flood Mitigation project, subject to the project being awarded LGF under Agenda Item 5.
- 2.1.6 **Approve** the acceleration of £5.000m LGF spend in 2017/18 on the Gilden Way Upgrades, for spend across the Gilden Way and M11 Junction 7a project
- 2.1.7 **Approve** the planned spend of £113.293m LGF in 2018/19, excluding DfT retained schemes and £148.666m including DfT retained schemes, subject to SELEP receiving sufficient funding from Government in 2018/19 as per the amount indicated in the provisional funding profile .

2017/18 LGF update - finance

- 2.2 On the 22nd September the Board was provided with an updated planned spend for 2017/18 based on the additional slippage identified through the Declaration of Grant Usage. The restated budget restated to total planned spend for 2017/18 as £122.596m for non-retained and £31.126m for Department for Transport (DfT) retained schemes. The detail can be seen in Table 1 below.
- 2.3 On the 17th January 2018, officers from each Federated Area attended the SELEP Programme Consideration Meeting to:

- Provide an updated spend forecast for 2017/18 and future years of the LGF programme;
- Discuss the project deliverability and risk assessment;
- Identify project changes to be brought to the attention of the Board; and
- Consider mitigation to be implemented to address project risks.

2.4 Each federated area has provided an updated spend forecast for 2017/18 as shown in Appendix 1 & 2 and as summarised in Table 1 below.

Table 1 Updated LGF spend forecast 2017/18 (£m)

LGF (£m)						
	Planned spend in 2017/18 (as restated in September 2017)	Total forecast spend in 2017/18 (as reported in January 2018)	Variance*	Variance* (%)	Variance approved to date	Variance to be considered on the 16th March 2018
East Sussex	25.999	22.963	-3.036	-11.68%	0.405	-3.441
Essex	17.867	19.299	1.432	8.01%	-4.268	5.700
Kent	32.236	20.913	-11.323	-35.13%	-4.767	-6.556
Medway	12.299	4.749	-7.550	-61.39%	-3.464	-4.086
Southend	13.508	3.658	-9.850	-72.92%	0.000	-9.850
Thurrock	12.293	8.905	-3.387	-27.55%	-3.387	0.000
Skills	0.096	0.071	-0.025	-26.42%	0.000	-0.025
M20 Junction 10a	8.300	8.300	0.000	0.00%	0.000	0.000
LGF Sub-Total	122.597	88.857	-33.739	-27.52%		
Retained	31.126	15.211	-15.915	-51.13%		
Total Spend Forecast	153.723	104.069	-49.654	-32.30%		

2.5 Table 1 identifies substantial variance between the planned spend and updated spend forecast of £33.739m excluding DfT retained schemes and £49.654m including DfT retained schemes.

2.6 The revised total forecast LGF spend in 2017/18 now totals £88.857m excluding retained schemes and £104.069m including DfT retained schemes. This is relative to a planned spend of £122.596m excluding retained schemes and £153.723m including retained schemes, as re-state in September 2017.

2.7 The updated spend forecasts takes account of the forecast slippage and acceleration of LGF projects in 2017/18 as highlighted through the January LGF update returns by local partners. The changes to forecast spend identified since the last update reports were submitted to the SELEP Secretariat in October 2017 and presented to the Board in November 2017 are detailed in Table 2 below.

Table 2 Identified LGF slippages and acceleration in 2017/18 (£m), reported since the last LGF Capital Programme Update to the Board in November 2017

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
East Sussex					
Hailsham/Polegate/Eastbourne Movement and Access Transport scheme	£1.500	£0.242	£-1.258	LGF slippage has occurred as a result of delays to the project during the consultation phase of the project which has delayed the project delivery timescales.	The Board is asked to approve the slippage of £1.258m from 2017/18 to 2018/19.
Queensway Gateway Road	£3.460	£5.000	£1.540	Increase in spend on the Project in 2017/18 as a result of the escalation in project costs	The Board is asked to approve the £1.540m increase in LGF spend on the project during 2017/18.
Hastings and Bexhill Movement and Access Package	£1.352	£0.384	£-0.968	The project was approved at the last Board meeting, but as a result of delays to the development of the	The Board is asked to approve the slippage of £0.968m LGF from 2017/18 to 2018/19.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				Business Case for the project, the amount of LGF spend in 2017/18 has reduced relative to the planned spend.	
East Sussex Strategic Growth Project	£6.300	£3.545	£-2.755	Slippage of spend due to delays in the planning process and the appointment of a main contractor. However groundworks at the site are substantially complete a preferred contractor has been identified.	The Board is asked to approve the slippage of £2.755m from 2017/18 to 2018/19
Essex					
Basildon Integrated Transport Package	£1.868m	£0.600	£-1.268	The Board approved the re-profiling of £1.868m LGF from 2017/18 to 2018/19, in line with the revised Business	The Board is asked to approve the revised slippage of £1.268m LGF from 2017/18 to 2018/19.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				Case considered by the Board for approval. However, subsequently the opportunity to accelerate £600,000 LGF spend in 2017/18 has been identified.	
Chelmsford City Growth Area	£1.000	£0.500	£0.500	Potential to accelerate LGF spend on the project to mitigate slippage on other projects.	The Board is asked to approve the acceleration of £0.500m LGF spend in 2017/18
Technical and Professional Skills Centre at Stansted Airport	£1.000	£2.000	£1.000	Potential to accelerate additional LGF spend on the project to mitigate slippage on other projects.	The Board is asked to approve the acceleration of £0.500m LGF spend in 2017/18
Gilden Way Upgrades	£0.000	£5.000	£5.000	Potential to accelerate LGF spend on the project in advance of	The Board is asked to approve the acceleration of £5.000m LGF spend in

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				other funding sources, to mitigate slippage on other projects.	2017/18
Kent					
Kent and Medway Growth Hub (I3 project)	£6.612	£1.112	£-1.500	Whilst I3 Approval Board has identified projects for investment, there have been difficulties in getting Legal Agreements in place and for applicants to provide required security.	The Board is asked to approve the slippage of £1.500m LGF from 2017/18 to 2018/19
Tunbridge Wells Junction Improvements and A26 Cycle Route	£0.608	£0.043	£-0.565	Detailed design work has been progressed for the project but construction works will be undertaken in 2018/19.	The Board is asked to approve the revised slippage of £0.565m LGF from 2017/18 to 2018/19.
Kent Thameside LSTF	£0.468	£0.574	£0.106	Opportunity to	The Board is asked to

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				accelerate LGF spend on the project has been identified to mitigate underspend .	approve the acceleration of £0.106m LGF spend in 2017/18.
Kent Strategic Congestion Management programme	£0.728	£0.520	£-0.208	Slippage of LGF as a result of the delayed implementation of the EU Connected Corridor scheme into 2018/19.	The Board is asked to approve the slippage of £0.208m LGF from 2017/18 to 2018/19.
Kent Rights of Way Improvement Plan	£0.300	£0.150	£-0.150	Slippage of LGF spend as unable to deliver Tunbridge Wells Common scheme and SELEP Change Request is required from Kent County Council for consideration at the next Board meeting.	The Board is asked to approve the slippage of £0.150m from 2017/18 to 2018/19.
Kent Sustainable Interventions	£0.492	£0.472	£-0.013	Minor slippage	The Board is asked to

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
Programme				forecast as a result of expected weather related delays to project delivery.	approve the slippage of £0.013m from 2017/18 to 2018/19.
A28 Chart Road	£1.131	£3.044	£1.913	Potential to accelerate LGF spend on the project to mitigate slippage on other projects.	The Board is asked to approve the acceleration of £1.913m LGF spend in 2017/18.
Maidstone Integrated Transport Package	£2.135	£1.000	-£1.135	Slippage of LGF spend due to the delayed submission of the Phase 2 Business Case, which has now been submitted for a Board decision in April 2018.	The Board is asked to approve the revised slippage of £1.135m LGF from 2017/18 to 2018/19.
A28 Sturry Link	£0.373	£0.432	£0.059	Potential to accelerate LGF spend on the project to mitigate slippage on other	The Board is asked to approve the revised acceleration of £0.059m LGF spend in 2017/18.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				projects.	
Ashford International Connectivity Project (Ashford Spurs)	£8.903	£5.843	£-3.060	Reduced LGF spend in 2017/18 as a result of the reduced project cost and the potential reallocation of LGF to Sandwich Rail Infrastructure, pending the conditions for the award of LGF being satisfied.	The Board is asked to approve the revised slippage of £3.060m LGF from 2017/18 to 2018/19.
A226 London Road/ B255 St Clements Way	£1.312	£1.000	£-0.312	Slippage of LGF spend to reflect works programme. However, the project is progressing ahead of original schedule, with works having started on site.	The Board ask is asked to approve the revised slippage of £0.312m LGF from 2017/18 to 2018/19.
Coastal Communities Housing Intervention (Thanet)	£0.667	£0.155	£-0.512	Delays to the start of construction	The Board is asked to approve the

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				works with the Ethelbert Crescent works due to complete in early 2018/19 and the Warwick Road works to start on site in summer 2018/19.	revised slippage of £0.512m LGF from 2017/18 to 2018/19.
Dartford Town Centre Transformation	£0.200	£0.000	-£0.200	Slippage of LGF spend due to the delayed submission of the Business Case, which has now been submitted for a Board decision in April 2018.	The Board is asked to approve the slippage of £0.200m LGF from 2017/18 to 2018/19.
Fort Halsted	£1.530	£0.000	-£1.530	Slippage of LGF spend due to the delayed submission of the Business Case. Update report to be received by	The Board is asked to approve the slippage of £1.530m LGF from 2017/18/2018/19.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				the Board in June 2018/19.	
A2500 Lower Road	£0.387	£0.587	£0.200	Potential to accelerate LGF spend on the project to mitigate slippage on other projects.	The Board is asked to approve the acceleration of £0.200m LGF from 2017/18 to 2018/19.
Kent and Medway EDGE Hub	£1.120	£1.620	£0.500	Potential to accelerate LGF spend on the project to mitigate slippage on other projects.	The Board is asked to approve the acceleration of £0.500m LGF spend in 2017/18.
A2 off- slip at Wincheap, Canterbury	£0.354	£0.000	£-0.354	Slippage of LGF spend due to the delayed submission of the Business Case.	The Board is asked to approve the slippage of £0.354m LGF from 2017/18 to 2018/19.
Leigh Flood Storage Area and East Peckham – unlocking growth	£0.091	£0.000	£-0.091	Slippage of LGF spend due to the delayed submission of the Business Case.	The Board is asked to approve the slippage of £0.091m LGF from 2017/18 to 2018/19.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
Medway					
A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements	£2.353	£0.442	£-1.911	At the last Board meeting the Board approved the delivery of a revised project. The slippage of LGF spend, reflects the decision by the Board to support the revised project and the updated project programme for delivery.	The Board is asked to approve the revised slippage of £1.911m from 2017/18 to 2018/19.
Strood Town Centre Journey Time and Accessibility Enhancements	£2.417	£0.792	£-1.625	The project is progressing to programme with works expected to start on site in January 2018. However, the planned spend was too ambitious to be achieved and a revised spend profile has	The Board is asked to approve the revised slippage of £1.625m LGF from 2017/18 to 2018/19.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				been prepared.	
Chatham Town Centre Place-Making and Public Realm Package	£2.183	£0.914	£-1.269	The project programme has been amended to avoid Battle of Medway celebrations and Christmas shopping/events period. This delay to the project has implications for the LGF spend profile.	The Board is asked to approve the revised slippage of £1.269m LGF from 2017/18 to 2018/19.
Medway Cycle Action Plan	£1.121	£0.985	£-0.136	Minor slippage of spend to support the completion of the project in 2018/19.	The Board is asked to approve the revised slippage of £0.136m LGF from 2017/18 to 2018/19.
Medway City Estate Connectivity Improvement Measures	£0.099	£0.034	£-0.065	Project delay experienced as works were out on hold whilst a revised proposal was being developed for the A289 Four Elms	The Board is asked to approve the revised slippage of £0.065m LGF from 2017/18 to 2018/19.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				Roundabout project. As decision has been taken, the project will proceed as planned but to an amended delivery schedule.	
Rochester Airport Phase 1	£2.825	£0.243	-£2.582	<p>This project has experienced substantial delays. This has mainly been the result of delays to the approval of planning consent.</p> <p>A detailed update report will be provided to the Board at its meeting on the 27th April 2018.</p>	The Board is asked to approve the revised slippage of £2.582m LGF from 2017/18 to 2018/19.
Strood Civic Centre – flood mitigation	£1.000	£1.338	£0.338	Potential to accelerate LGF spend on the project to mitigate slippage on	The Board is asked to approve the acceleration of £0.338m LGF from 2017/18 to 2018/19,

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in January 2018)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				other projects	subject to Project funding award under Agenda Item 5.
Southend					
Southend Central Area Action Plan (SCAAP) – Transport Package	£2.233	£1.383	–£0.850	Delays to the start of works on site due to drainage issues, which have resulted in change to the design work.	The Board is asked to approve the slippage of £0.850m LGF from 2017/18 to 2018/19.
London Southend Airport Business Park Phase 1 and Phase 2	£11.274	£2.275	–£8.999	Issues with installation of utilities have led to project delays and have affected LGF spend in 2017/18.	The Board is asked to approve the slippage of £8.999m LGF from 2017/18 to 2018/19.
Thurrock					
No additional slippages of LGF have been reports for Thurrock projects at this stage.					

- 2.8 As set out in Table 2 above, opportunities have been sought to accelerate LGF spend where possible, to reduce the slippage of LGF spend on other projects.

The potential to prioritise the use of LFG grant in advance of the application of other funding streams would create an increase of £5m LGF spend on the Gilden Way project in 2017/18. This would include some spend on the M11 Junction 7a project but this is directly linked to the delivery of the Gilden Way scheme with one project unable to progress without the other.

- 2.9 Due to the interdependency of the Gilden Way upgrades scheme with the M11 Junction 7a project, the two schemes are being delivered as one project using the same construction contractor. The value for money assessment was also undertaken to consider the combined impacts of the two interventions
- 2.10 In agreeing to accelerate the £5m LGF spend on the Project, this would support delivery across the Gilden Way and M11 Junction 7a projects, rather than the LGF contribution being used solely to fund the Gilden Way aspect of the project. The overall funding package for the projects will remain fixed, but it is proposed that the profile of LGF spend should be accelerated to spend the LGF grant in advance of other funding sources.

3. Programme Slippage Summary

- 3.1 At the outset of 2017/18 financial year, a £3.009m over-profiling of the LGF programme was identified due to the difference between the planned LGF spend and the amount of LGF underspend available in 2017/18. However, as a result of the slippage of LGF from 2016/17 to 2017/18 and slippage of LGF spend which has already been identified from 2017/18 there is now a forecast slippage of £29.659m LGF from 2017/18 to future years of the programme (excluding retained schemes), as set out in Table 3 below.

Table 3 Forecast LGF spend relative to LGF allocation in 2017/18 (excludes retained schemes).

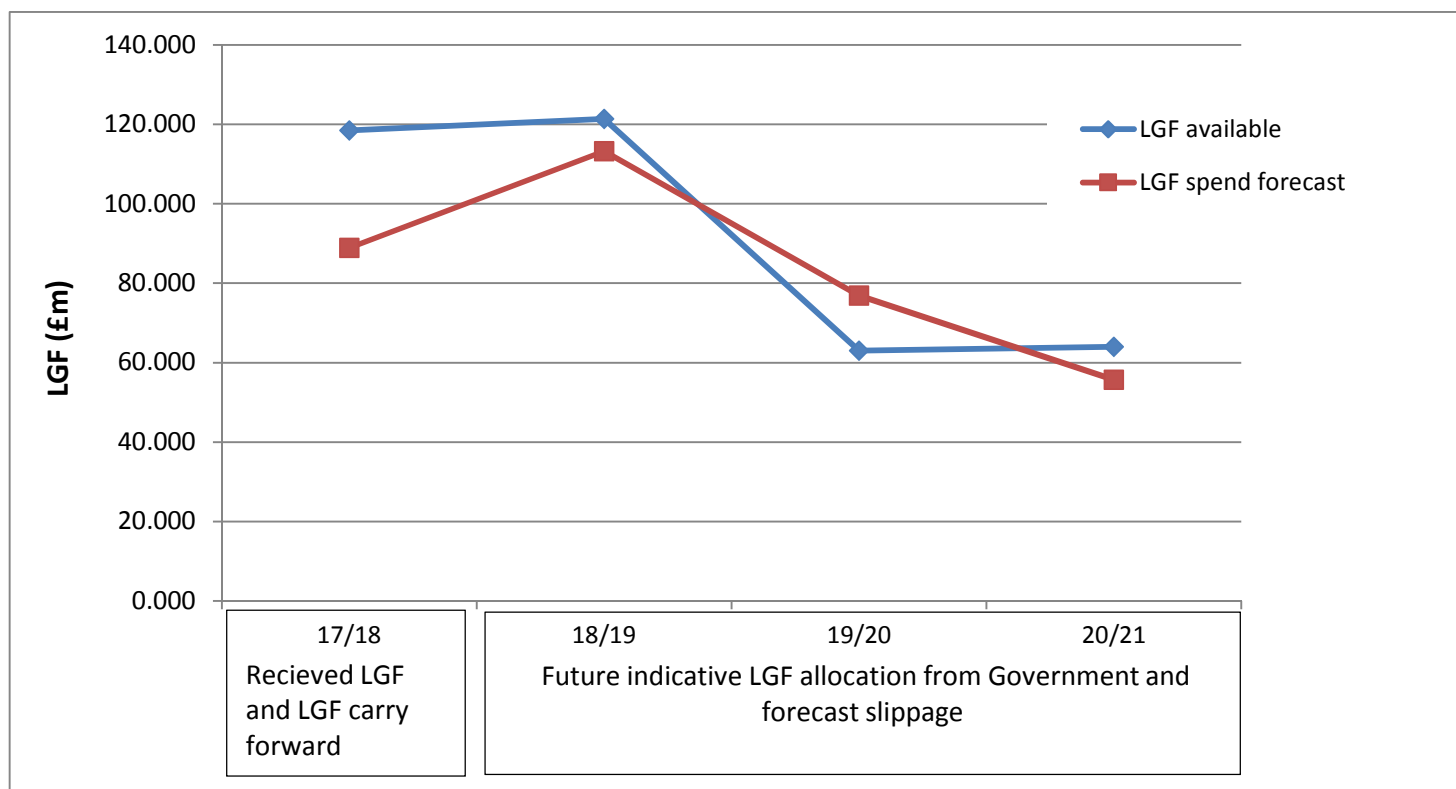
	(£m)
LGF allocation in 2017/18	92.088
Carry forward from 2015/16 and 2016/17 to 2017/18	26.428
Total LGF available to spend in 2017/18	118.516
Total LGF revised planned spend in 2017/18	88.857
Variance*	29.659

*Difference between the total LGF available to spend in 2017/18 and the updated 2017/18 spend forecast.

- 3.2 Whilst delivery partners have been encouraged to accelerate LGF spend in 2017/18 where possible, any LGF slippage held by Upper Tier Authorities at the end of the financial year will be swapped into local authority Capital Programme (Option 4 mitigation).

- 3.3 The remaining LGF held by SELEP at the end of 2017/18 will be carried forward to 2018/19 within SELEP's accounts (Option 5).
- 3.4 The expected slippage of LGF spend during 2017/18 will be used to help offset the difference between the spend profile and the annual funding allocation from Government during 2019/20 as set out in Figure 1 below.

Figure 1 LGF spend profile relative to LGF available



- 3.5 Figure 1 shows that the amount of LGF available in 2017/18 now exceeds the planned spend by £29.658m. However, in 2019/20 the planned LGF spend currently exceeds the LGF expected to be available, whilst in, 2018/19 and 2020/21 the amount of LGF available exceeds the planned spend.
- 3.6 Without any mitigation actions being applied, the expected gap between the planned LGF spend and the amount of LGF available in 2019/20 totals £13.897m. However the scenario modelling presented to the Board in November 2017 demonstrated that options are available to spend other grant contributions in advance of LGF.
- 3.7 Based on the slippages to LGF spend between financial years which have occurred through the delivery of the programme to date, the gap between the LGF spend forecast and LGF available in 2019/20 is not considered to present a substantial programme risk at this time. However, the slippage of LGF spend adds substantial pressure to the delivery of projects and LGF spend during 2020/21, as the final year of the LGF programme, and will add to the risk of LGF slippage beyond the Growth Deal programme.

- 3.8 Through the duration of the programme there is sufficient LGF allocated by Government to fund all LGF projects included in the programme, with the total £468.335m Ministry for Housing, Communities and Local Government (MHCLG) LGF grant to non –retained LGF projects exceeding the £460.029m allocated to LGF projects through LGF Rounds 1, 2 and 3, as set out in Table 4 below. Details of the LGF allocations to each individual LGF project are included in Appendix 2.

Table 4 LGF spend forecast relative to LGF available (£m)

£m	15/16	16/17	17/18	18/19	19/20	20/21	Total
Actual spend or current forecast	55.562	69.730	88.857	113.293	76.891	55.670	460.004
LGF allocation from Government	69.450	82.270	92.088	91.739	54.915	77.873	468.335
LGF carry forward from earlier years		13.888	26.428	29.659	8.104	-13.872	
Total grant funding available in year	69.450	96.158	118.516	121.398	63.019	64.001	468.335
Over/(under) allocation	13.888	26.428	29.658	8.104	-13.872	8.331	

4. LGF Budget 2018/19

- 4.1 The 2017/18 Grant Offer Letter from the Cities and Local Growth Unit confirmed SELEP's LGF grant of £92.088m in 2017/18 and provided an indicative allocation for future years of the LGF programme as set out in Table 5 below.

Table 5 Indicative LGF profile

2017-18	2018-19	2019-20	2020-21
92,088,396	91,738,956	54,914,715	77,873,075

- 4.2 Whilst previous year LGF awards have been consistent with the indicative profiles set out by the Cities and Local Growth Unit, the current LEP review and Deep Dive discussions may have a bearing on the award of LGF to SELEP in 2018/19.
- 4.3 Table 6 below sets out the planned LGF spend for 2018/19, based on the LGF spend forecast submitted by each Federated Area. However the approval of this budget is subject to sufficient LGF being made available by the Ministry for Housing Communities and Local Government (MHCLG). If there is a material change to the LGF award from the expected £91.739m, then an amended budget will be presented to the Board at its meeting on the 27th April 2018.

Table 6 Planned LGF spend in 2018/19, excluding retained schemes

LGF (£m)		
	Planned spend in 2018/19	Planned spend in 2019/20 - 2020/21
East Sussex	16.368	15.166
Essex	18.550	36.896
Kent	23.764	44.944
Medway	16.436	12.491
Southend	17.074	12.225
Thurrock	9.702	10.840
Skills	0.000	0.000
M20 Junction 10a	11.400	0.000
LGF Sub-Total	113.293	132.562
Retained	35.373	43.495
Total Spend Forecast	148.666	176.057

4.4 Table 6 set out the planned spend of £113.293m LGF, excluding retained schemes in 2018/19. This presents an £8.104m under-profiling relative to the £121.398m LGF available in 2018/19. This under-profiling provides the opportunity to accelerate spend of LGF on projects in 2018/19, where it is feasible to do so.

4.5 A detailed breakdown of the spend profile for each individual LGF project is provided in Appendix 2.

5. Retained Schemes

5.1. There are currently six projects identified as retained schemes for which LGF is received by the SELEP Accountable Body directly from the DfT. Reporting on project progress and the spend of the LGF allocation is provided directly to the DfT for these projects, rather than through the Cities and Local Growth Unit Team, as is the case for all other LGF projects.

5.2. A substantial expected slippage has been identified for retained schemes from 2017/18 to future years of the programme as a result of the substantial spend slippage for the A13 widening scheme.

5.3. An update is provided on the A13 widening project under Agenda Item 6, which confirms that the project is still expected to achieve the revised planned spend of £12.629m LGF in 2017/18.

- 5.4. A slippage has also been identified for the A127 The Bell project as the Business Case for the project has not yet been submitted to SELEP for the award of funding, to support the phased delivery of the two projects to minimise traffic disruption during delivery.
- 5.5. The planned LGF spend on DfT retained project totals £35.373m and includes the spend of £12.629m LGF on the A13 widening project, £3.440m on The Bell and £1m on the Essential Bridge and Highway Maintenance Project in Southend. However, this planned spend is likely to be amended once the updated spend profile for The Bell has been agreed with the DfT.

6. Deliverability and Risk Summary

- 6.1. The Cities and Local Growth Unit has prepared new guidance for Growth Deal reporting, which is intended to help LEPs measure progress towards the delivery of project and assess delivery risks. This includes a Red – Amber – Green (RAG) rating for each project based on delivery, finances and reputation , as defined within the ‘RAG Rating Guidance for LEPs’, shown in Appendix 4.
- 6.2. The RAG assessment of projects must be completed in accordance with the definitions and signed off by the SELEP Accountability Board members and SELEP Accountable Body S151 officer prior to submission to the Cities and Local Growth Unit.
- 6.3. Appendix 3 sets out the summary deliverability and risk position for each project, as summarised in Table 7 below, based on the new guidance. A score of 5 represents high risk, whilst 1 indicated low risk.
- 6.4. Whilst a substantial number of projects are highlighted as Red in terms of delivery and financial risk, this increase in the number of projects in this category is likely to be the result of the stricter guidance from Government than an increased programme risk to delivery and finances during the last quarter.

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

Score	Delivery	Finances	Reputation	Overall
5	15	9	3	6
4	15	11	3	14
3	12	16	14	23
2	13	15	11	14
1	40	44	64	38
Total	95	95	95	95

- 6.5. Further detail is provided for the six projects which were identified as having a high risk overall (risk score of 5)
- Queensway Gateway, North Bexhill Access Road and Eastbourne Town Centre & LSTF Project

The three East Sussex projects were considered at the last Accountability Board meeting on the 23rd February 2018, for the award of additional LGF to the projects as a result of cost escalations. Whilst these projects are highlighted as high risks through the Q4 2017/18 reporting, the decision by the Board to increase the LGF allocations to these two projects mitigated this risk. Through the re-baselining of the LGF spend forecast these projects in 2018/19 will reduce the overall project risk for these three projects as the funding package is now in place to complete these projects.

- **Beaulieu Park Railway Station**

The project has been RAG rated as red due to the substantial funding gap and the early stage of project development. The project is allocation £1.25m LGF in 2017/18, with a total LGF allocation of £12m. However, this funding cannot be spent until a potential funding route has been identified to bridge the current funding gap. A Housing Infrastructure Fund bid has also been submitted by Essex County Council to MHCLG to bridge the funding gap. However, the outcome of this bid has not yet been determined and the timescales for a funding decision to be made by MHCLG are currently unclear.

- **Maidstone Integrated Transport Package**

The Junction Improvement schemes at either end of Willington Street (A274 and A20) form the first part of the Maidstone Integrated Transport Package which was awarded £1.3m Local Growth Fund following approval by the Board in November 2015. There are also local developer contributions for both schemes which complete the funding packages.

To date, two public engagement events have been held in August 2017 and December 2017 to present the design layout to local residents. Extensive design work has since been carried out following these events with a view to addressing the concerns.

The construction phase is currently programmed, however, works have been put on hold until a further report is presented to Maidstone Joint Transport Board in April 2018 and KCC Environment and Transportation Cabinet Meeting in May 2018, to confirm continued support for the project. The delays to the delivery of this scheme have resulted in a reduced spend in 2017/18 and a requirement to re-profile this allocation to future years of the programme. An update will be provided to the Board in April 2018 to feedback on the outcome of this local consideration of the project.

A further business case for Phase 2 of the Maidstone Integrated Transport Package (M20 Junction 5 - Coldharbour scheme) was submitted on 9th February 2018 to the Independent Technical Evaluator and will now be assessed in line with the Gate review process to allow a decision at the Board on 27th April 2018. A more detailed update will be provided to the Board on the Phase 1 and Phase 2 projects in April 2018.

- **Thanet Park**

A detailed project update is provided under Agenda Item 7.

7. LGF Programme Risks

- 7.1 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.

7.1.1 *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 houses 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 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.

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.

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.

7.1.2 *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.

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.

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

Risk: The latest update report has identified a substantial backloading of LGF spend in Q4 2017/18, with the 2017/18 financial updating showing the slippage of £29.659m from 2017/18 to 2018/19 (excluding retained projects). Whilst the LGF spend forecast has been updated to take account of expected LGF slippages, further slippages of LGF spend may be identified through the close of accounts at the end of the financial year.

Mitigation: SELEP continues to work with Local Partners to ensure realistic spend forecasts are presented for each LGF project.

There will be clear communication with Government about the successful delivery of LGF projects to date and to need retain LGF slippage by SELEP 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).

In addition, there will be clear communication with Government about the successful delivery of LGF projects to date and to need retain LGF slippage by SELEP to help manage the availability of LGF in 2019/20.

7.1.4 *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. The outcome of the Deep Dive discussion and review of LEPs may have implications for SELEPs LGF grant award in 2018/19.

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.

7.1.5 *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.

7.1.6 *Resource within Local Authorities and in the private sector to support the delivery of the Growth Deal programme.*

Risk: A lack of resource within the delivery authorities, consultancies and contractors to support the development and construction of LGF projects may result in an increase in project cost estimates (as the tender costs are higher than originally forecast) and/or a delay to project programme for delivery. In particular, project delays are often incurred as a result of the time taken to establish legal agreement with local delivery partners.

Mitigation: Assurances are sought through the S151 Officer letter which supports Business Case submissions to ensure that the delivery body has access to the skills, expertise and resource to support the delivery of the project.

8. Financial Implications (Accountable Body Comments)

- 8.1 The high value of slippage is now a clear reputation risk to the partnership and delivery partners. Whilst in part this due to the historical nature of the funding profile, it is imperative that the Partnership is able to evidence both momentum and delivery to the funding departments within HMG to mitigate this risk. The increased levels of slippage do mean that the funding gap identified in 2019/20 has now been much reduced. However, the increased spend and planned delivery in the final year of the programme presents an increased risk. Confirmation should be sought from Government on the implications of LGF slippage beyond 31st March 2021. Urgent confirmation should be sought from Government that spending and delivery will be allowed beyond 31 March 2021.
- 8.2 Whilst we welcome a realistic approach to profiled spend planning, the planned under-profile of spend in 2018/19 is likely to create further increases in slippage over the financial year based on prior performance. This could further exacerbate the delivery risk for the final year of the programme.
- 8.3 It is noted that one of the recommendations from the review of LEP Governance and Transparency by Mary Ney is that "Government give some thought to what flexibility might be available to smooth funding allocations to LEPs over a longer period". We very much support that recommendation and will be seeking an early response from Government.
- 8.4 It should be noted that funding from Government is only made on the basis that SELEP governance meets Government requirements. Whilst it is the Accountable Body's opinion that governance does meet those requirements, HM Government has not yet confirmed funding allocations for 2018/19 onwards. It should also be noted that the Government is currently reviewing governance arrangements of the SELEP, at the time of writing, it is not known whether the outcome of this review will impact on future funding allocations to SELEP.

9. Legal Implications (Accountable Body Comments)

- 9.1 None

10. Staffing and other resource implications

- 10.1 None

11. Equality and Diversity implications

- 11.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
 - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.

- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 11.3 In the course of the development of the project business cases, the delivery of the project and their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

12. List of Appendices

- 12.1 Appendix 1 - Financial monitoring
- 12.2 Appendix 2 - Summary LGF spend profile
- 12.3 Appendix 3- Deliverability and Risk
- 12.4 Appendix 4 – Cities and Local Growth Unit Guidance for LEPs on the reporting on project risks

13. List of Background Papers

- 13.1 None

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off Stephanie Mitchener On behalf of Margaret Lee	 09/03/18