Report to Accountability Board	Forward Plan reference number: N/A
Date of Accountability Board Meeting: 22nd September 2017 Date of report: 30th August 2017	
Title of report:	Management of LGF underspend
Report by:	Rhiannon Mort, SELEP Capital Programme Manager
Enquiries to:	Rhiannon.Mort@essex.gov.uk

1. Purpose of report

1.1 The purpose of this report is to make the SELEP Accountability Board (the Board) aware of the process for utilising Local Growth Fund (LGF) underspends and to agree the approach to introduce new LGF projects into the Growth Deal Programme.

2. Recommendations

2.1 The Board is asked to:

2.1.1 **Note** the process set out in to the SELEP Assurance Framework for the use of LGF underspends; and

2.1.2 **Agree** the process for the inclusion of new LGF projects in the SELEP LGF Capital Programme

3. Background

3.1 As part of the SELEP Grant Offer Letter 2017/18, SELEP was successfully awarded new programme 'privileges' to enable SELEP to manage the LGF programme in a more flexible way.

3.2 In relation to the project change flexibilities, the Grant Offer Letter states:

"This letter confirms that, following the successful conclusion of the annual conversation process, the LEP will receive its previously indicative allocation for 2017-18 in full. I can also confirm that we are removing the requirement for the LEP to give us prior notification of project changes".

3.3 Prior to the award of these flexibilities, all project changes had to be agreed with Central Government Departments following approval by the Board. As a result of SELEP having demonstrated to Government that robust accountability arrangements are in place through the Board's oversight of the capital programme, this requirement has now been removed and SELEP is now only required to notify Government Departments of project changes.

3.4 To ensure that these programme privileges are implemented in a transparent way, the Board is made aware of all project changes, through the submission of SELEP Change Requests by a project's lead County Council or Unitary Authority.

3.5 The Change Request is completed where there is a change to a project's scope, costs, outputs and outcomes.

3.6 Where there is a change to the nature of the project outcomes to be delivered through the intervention or there is a change to the theme of the project (eg transport, housing, business support, flood management, skills, innovation) then this will be treated as the cancellation and introduction of a new project rather than a change of project scope.

3.7 The SELEP Assurance Framework states that the following types of project change necessitate a decision from the Board:

3.7.1 Cancellation of a project that is included in the agreed Local Growth Plan;
3.7.2 Inclusion of a project not included in the agreed Local Growth Plan;
3.7.3 Moving forward of a project previously programmed to start in later years;
3.7.4 Delays to project start or end dates of more than six months;
3.7.5 All changes to LGF allocations above the 10% threshold;
3.7.6 Any re-profiling of LGF between financial years; and
3.7.7 Any changes to total project costs above a 30% or a £500,000 threshold; and
3.7.8 Any substantial changes to the expected project benefits, outputs and outcomes as agreed in the business case which may detrimentally impact on the Value for Money assessment. In such circumstances, it is expected that the business case should be re-evaluated by the ITE

3.8 SELEP's flexibility to make project changes extends to the management of LGF underspend and the inclusion of new LGF projects within SELEP's LGF programme.

4. Managing LGF Underspends

4.1 The process for managing LGF underspends is set out in SELEP Assurance Framework and is firmly rooted in a Federated Board led approach to the management of investment priorities.

4.2 Through Federated Board oversight of their local LGF programme, the Federated Board should be made aware of any project/ programme underspends which are made available; these underspends may arise through the effective delivery of LGF projects under budget, reduction in a projects scope or cancellation of projects currently included within the LGF programme.

4.3 Under the terms of the Service Level Agreements with each of the six County Council/ Unitary Authorities, the respective Partner may retain the proceeds of project underspends of up to 10% for use on other approved LGF schemes or to offset overspend on LGF projects. The Board must be informed of the reallocation of LGF below the 10% threshold.

4.4 Where the variance is greater than 10%, the reallocation of funding requires approval from the Board and should be agreed with the Federated Board.

4.5 The Process for the inclusion of new LGF Projects into the Growth Deal:

4.5.1 The first step is for the Partner to bring the underspend to the Federated Board's attention and present potential options for the use of this underspend, in line with their published prioritisation approach. In the first instance, the Federated Board should consider options for the allocation of the funding to a project included within their agreed pipeline of projects or explain why a project is being prioritised over alternative proposals included within the Federated Board's pipeline of projects.

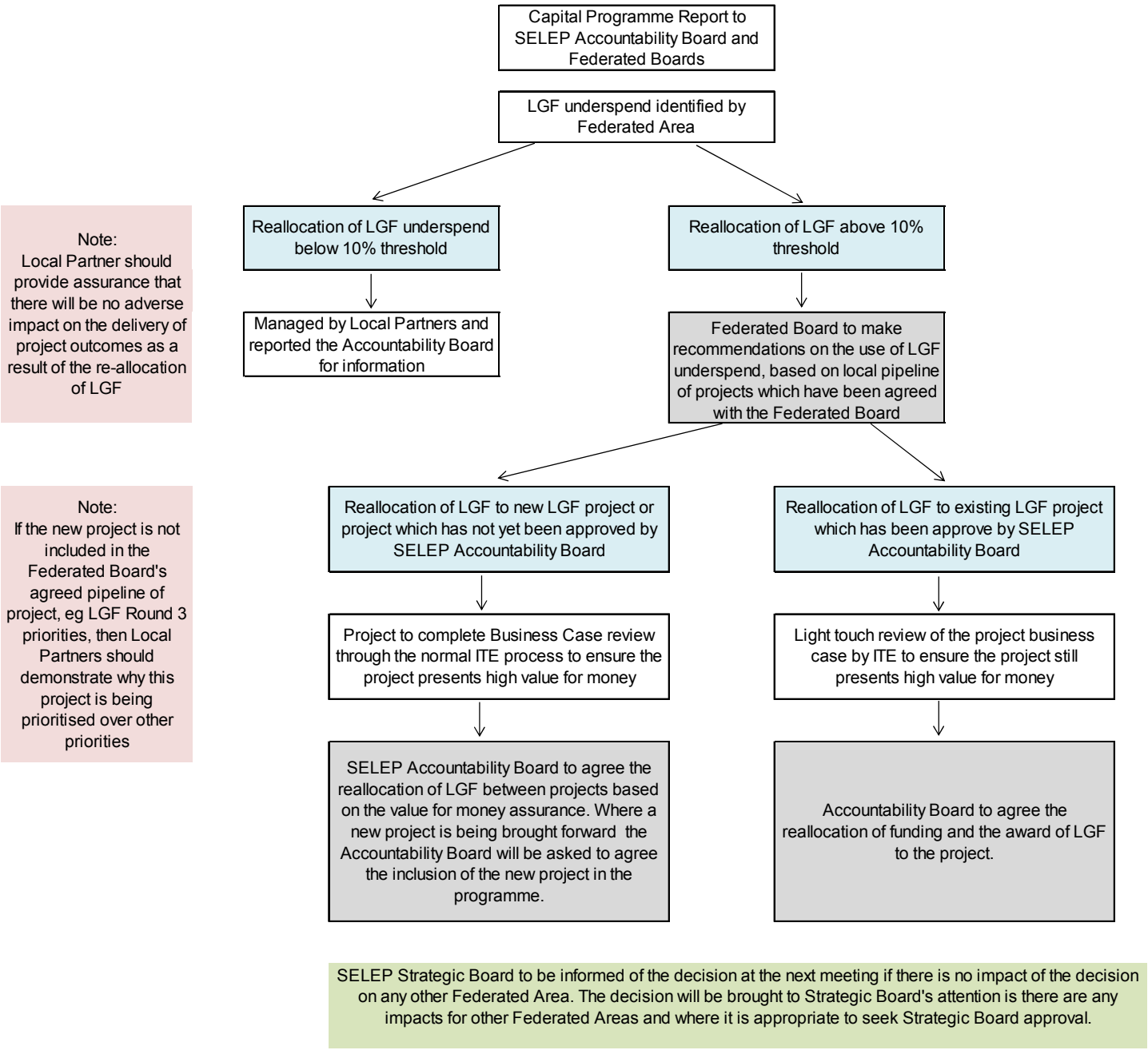
4.5.2 If the Federated Board recommends the re-allocation of the LGF underspend to an LGF project which has ready been approved by SELEP Accountability Board, the SELEP Independent Technical Evaluator (ITE) will complete a light touch review of the Business Case to ensure the Project continues to present high Value for Money, if the re-allocation of funding exceeds 10% of the allocation. The outcome of this review will be presented to the SELEP Accountability Board to help inform their decision making, where required.

4.5.3 If the Federated Board recommends the re-allocation of underspend to an existing LGF project, increasing the project's total LGF allocation, the rationale for this decision should be made clear as part of the Federated Board decision. This includes providing details of how the additional investment will deliver additional benefits or why the re-allocation of funding is being recommended by the Federated Board over an alternative proposal within the Federated Board's project pipeline.

4.5.4 If the Federated Board recommends the re-allocation of LGF to a project which has not been approved by the SELEP Accountability Board to date or a project which is not currently identified as an LGF project, the Project Business Case will be required to complete the ITE review process, as set out in the SELEP Assurance Framework, in advance of the decision to re-allocate funding to the project and the funding decision being taken by the Board.

4.5.5 This process is summarised in the diagram in Figure 1 below.

Figure 1 Process for managing LGF underspends



4.6 To help inform the decision making by the Board, the impact of the funding re-allocation on the expected outputs and outcomes for all projects affected by the re-allocation of funding will be reported to the Board.

5. SELEP LGF Underspend

5.1 Should any LGF underspend be identified at the SELEP level, such as through the return of LGF to SELEP through the failure to comply with the Grant Conditions, the approach to the prioritisation of this funding would first be agreed with SELEP Strategic Board.

5.2 The approach recommended to SELEP Strategic Board would depend on the amount of LGF available and the circumstances of this funding being made available.

6. Financial Implications (Accountable Body Comments)

6.1 The proposals in this paper are in line with the requirements of the SELEP Assurance Framework and are appropriate to ensure a clear and transparent approach with regard to the management of LGF underspends and the introduction of new projects into the Growth Deal programme.

7. Legal Implications (Accountable Body Comments)

7.1 None at present

8. Staffing and other resource implications (Accountable Body Comments)

8.1 None at present.

9. Equality and Diversity implications (Accountable Body Comments)

9.1 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.

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

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

10. List of Appendices

10.1 None

11. List of Background Papers

(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 Lorna Norris (On behalf of Margaret Lee)	 14/09/2017