

Forward Plan reference number: FP/AB/166

Report title: Capital Programme Management of the Local Growth Fund	
Report to Accountability Board	
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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 provides an update on the spend forecast for 2018/19, along with the delivery of the LGF programme and sets out the main programme risks.
- 1.3 As SELEP approaches the penultimate year of the LGF programme and given the LGF3b process which is currently underway, the report provides a more detailed review of risks of the spend of the LGF allocation within the Growth Deal period.

2. Recommendations

- 2.1. The Board is asked to:
 - 2.1.1. **Note** the updated LGF spend forecast for 2018/19, as set out in section 4
 - 2.1.2. **Note** deliverability and risk assessment, as set out in section 6
 - 2.1.3. **Approve** the acceleration of LGF spend in 2018/19 for the following seven projects:
 - 2.1.3.1. Eastbourne and South Wealden Walking and Cycling LSTF package (£70,000).
 - 2.1.3.2. Kent Thameside LSTF (£221,000);
 - 2.1.3.3. Kent Rights of Way Improvement Plan (£100,000);
 - 2.1.3.4. A2500 Lower Road (£97,000)
 - 2.1.3.5. Kent Engineering, Design, Growth and Enterprise (EDGE) hub (£2m)
 - 2.1.3.6. Chatham Town – Centre Place-Making and Public Realm Package (£200,000); and
 - 2.1.3.7. London Gateway/ Stanford le Hope (£2.157m)

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

- 2.1.4.1. Eastbourne Town Centre and LSTF walking and cycling (£505,000);
- 2.1.4.2. Tunbridge Wells Junction Improvements and cycle scheme (£556,000);
- 2.1.4.3. Kent Strategic Congestion Management Programme (£437,000);
- 2.1.4.4. Kent Sustainable Interventions Programme (£169,000);
- 2.1.4.5. Maidstone Integrated Transport Package (£1.587m);
- 2.1.4.6. A28 Sturry Link Road (£289,000)
- 2.1.4.7. Dartford Town Centre Transformation (£730,000);
- 2.1.4.8. Fort Halsted (£200,000)
- 2.1.4.9. A2 off-slip Wincheap, Canterbury (£354,000)
- 2.1.4.10. Sandwich Rail Infrastructure (£351,000)
- 2.1.4.11. A289 Four Elms Roundabout to Medway Tunnel Journey Time Improvements (£586,000)
- 2.1.4.12. Strood Town Centre Journey Time and Accessibility Enhancements (£2.526m)
- 2.1.4.13. Medway City Estate Connectivity Improvement Measures (£273,000)

2.1.5. **Approve** the increase in LGF spend by £49,000 in 2018/19 for Purfleet Centre, Thurrock, as a result of additional LGF slippage having been identified due to the LGF spend in 2016/17 having been overstated in 2016/17.

2.1.6. **Note** the proposed change of scope for the Maidstone Integrated Transport Package, which will be considered by the Board in February 2018 following a revised Business Case being reviewed by SELEP Independent Technical Evaluation.

2.1.7. **Note** the reallocation of £200,000 LGF from the Strood Town Centre to the Chatham Town Centre, as set out in section 8 below. *This reallocation is below the 10% threshold permitted under the SELEP Assurance Framework.*

2.1.8. **Note** that options will be presented to the SELEP Strategic Board on the 7th December on a potential approach to manage LGF projects which have been awarded LGF by the Accountability Board but where the delivery of the Project presents a high risk or the Project has been put on hold.

3. LGF Delivery Progress

- 3.1. To date, the Board has approved a total of 76 LGF projects in full and has given part approval to a further 10 projects, as set out in Appendix 2 and 3. There are 11 projects included in the LGF programme which have not yet

received a funding award by the Accountability Board. These projects are listed in Appendix 3.

- 3.2. As agreed by the SELEP Strategic Board in March 2018, all LGF projects must come forward for a funding decision by the Board by the end of 2018/19. Where it is not feasible to do so, then the provisional funding allocation to the project will be considered for re-allocation as part of the LGF3b process and the refresh of SELEP's investment pipeline; in accordance with the recommendations of the SELEP Deep Dive.
- 3.3. Recent LGF delivery highlights for each local partner include:
- 3.3.1. **East Sussex:** The North Bexhill Access Road project is reaching the final stages of delivery, with the project due to complete in December 2018. The project which has been supported by SELEP through a £18.6m LGF allocation, will deliver a 2.4km new road to provide a strategic connection to unlock planned employment and housing growth in North Bexhill.
- 3.3.2. **Essex:** Work is progressing at Chelmsford Station, to improve access to the station building. Whilst the station entrance was completed in 2016, the LGF funding is enabling the delivery of improved pedestrian and cycle links to the station. This includes a new footpath and cycle links to connect the station with Anglia Ruskin University, improved lighting and safer pedestrian crossing points to the station entrance. The project is due to complete in 2019.
- 3.3.3. **Kent:** In Kent, demolition works have been completed to enable the Engineering, Design, Growth and Enterprise (EDGE) hub project to progress. This £60m project at the University Christ Church Canterbury has been supported by SELEP through a £6.120m LGF award and will deliver a new teaching and learning facility which will provide courses such as Biomedical, Chemical and Mechanical Engineering. The project is due to complete in 2020.
- 3.3.4. **Medway:** The Chatham Town Centre Place-making and Public Realm Package is progressing well on site with the regeneration works between the railway station and town centre due to complete in early 2019. Planning approval has also been granted for improvements to Chatham Town Centre and the station improvement works are now scheduled to commence in this month.
- 3.3.5. **Southend:** The Business Case has been developed for the A127 The Bell and Essential Maintenance to be considered by the Board for the award of funding. The submission of the Business Case follows local public consultation to seek local stakeholder views on delivery options for improvements to the A127 The Bell junction, as a congested junction along this strategic corridor. The funding decision will be considered by the Board under Agenda Item 5.

3.3.6. **Thurrock:** Work on the £78.9m A13 widening project is progressing with public information events having been held during September and which were attended by over 300 people. A full update report is provided for the project under agenda item 10.

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

4. 2018/19 spend forecast update

4.1. The planned LGF spend in 2018/19 has been updated to take account of the updated spend forecast provided by each local area through October 2018.

4.2. The expected LGF spend in 2018/19 now totals £93.779m in 2018/19, excluding Department for Transport (DfT) retained schemes (see Table 1). This is relative to £133.012m available through the £91.739m allocation from the Ministry for Housing, Communities and Local Government (MHCLG) and the £39.233m carried forward from 2017/18, as set out in Table 2 below. Table 2 takes account of the planned slippage which was agreed at the outset of 2018/19 and which has been adjusted to take account of the slippage from 2017/18 to future financial years that has been identified since the start of the 2018/19 financial year.

4.3. In comparison to the position reported at the last Board meeting, the planned spend in 2018/19 has reduced by £3.669m, excluding DfT retained schemes. Table 3 below sets out the slippages and acceleration between 2018/19 and future years of the programme which have been identified through the latest update reporting.

4.4. No slippages to LGF spend has been identified for Projects in Essex or Southend during the last quarter.

Table 1 LGF spend forecast 2018/19

LGF (£m)					Reasons for Variance	
	Updated planned spend in 2018/19	Total forecast spend in 2018/19 (as reported in October 2018)	Variance*	Forecast LGF spend relative to planned spend in 2018/19* (%)	Additional spend/slippage identified for 2018/19 **	Slippage previous agreed by the Board **
East Sussex	16.650	15.227	-1.423	91.5%	-0.435	-0.988
Essex	18.654	18.506	-0.148	99.2%	0.000	-0.148
Kent	24.867	19.722	-5.144	79.3%	-2.256	-2.889
Medway	16.755	9.654	-7.100	57.6%	-3.185	-3.915
Southend	17.573	6.121	-11.452	34.8%	0.000	-11.452
Thurrock	13.647	13.149	-0.498	96.3%	2.206	-2.705
Skills	0.000	0.000	0.000	100.0%	0.000	0.000
M20 Junction 10a	11.400	11.400	0.000	100.0%	0.000	0.000
LGF Sub-Total	119.546	93.779	-25.766	78.4%	-3.669	-22.096
Retained	35.454	12.684	-22.770	35.8%	-6.326	-16.444
Total Spend Forecast	154.999	106.463	-48.536	68.7%	-9.995	-38.540

*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 2 LGF spend relative to LGF available in 2018/19 (excluding retained schemes)

	(£m)
LGF allocation in 2018/19 from MHCLG	91.739
LGF carried forward from 2017/18	39.233
Total LGF available in 2018/19	130.972
Total LGF spend in 2018/19	93.779
Total slippage from 2018/19 to 2019/20	37.192

- 4.5. When the DfT retained scheme funding is taken into consideration, for projects such as the A13 widening, the forecast LGF spend increases to £106.463m including retained schemes. The changes in forecast spend for retained schemes are set out in Section 5 below.
- 4.6. LGF spend in 2018/19 is currently under-profiled by £37.192m, as set out in Table 2 above. The forecast slippage LGF from 2018/19 to 2019/20 will help

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to provide a smoother profile to the LGF available for spend over future years of the Growth Deal programme.

- 4.7. The Board have previously been made aware of a potential gap in 2019/20 between the planned LGF and LGF available. The increased slippage of LGF spend between 2018/19 and 2019/20 and the re-profiling of LGF spend which has been identified through the most recent update report has now removed this funding gap in 2019/20. As such, this programme risk has now been mitigated, as shown in Appendix 1.
- 4.8. As the amount of LGF available in 2018/19 now exceeds the LGF spend forecast for projects currently included in the LGF programme, the potential availability of LGF in 2019/20 will be considered as part of the LGF3b process and the prioritisation of projects by the Investment Panel on the 7th December 2018.

Table 3 Identified slippages or acceleration between 2018/19 and future years of the programme (£m)

Project	LGF forecast, as reported in September 2018	Latest LGF spend forecast (as reported in October 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
East Sussex					
Eastbourne Town Centre LSTF walking and cycling	4.205	3.700	-0.505	The project has been delayed due to statutory works which have resulted to changes in the design. It is still expected that construction works will commence in May 2019, but a revised programme and spend	The Board is asked to approve the re-profiling of £0.505m from 2018/19 to 2019/20

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Project	LGF forecast, as reported in September 2018	Latest LGF spend forecast (as reported in October 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
				profile is being developed to take account of the delays.	
Eastbourne and South Wealden Walking and Cycling LSTF package	0.735	0.805	0.070	Potential to accelerate LGF spend has been identified.	The Board is asked to agree the acceleration of £0.070m LGF spend in 2018/19.
Kent					
Tunbridge Wells Junction Improvements and Cycle Scheme	0.959	0.404	-0.556	Business Case has been approved by the Board but project has been delayed as the project progresses through local decision making.	The Board is asked to approve the re-profiling of £0.556m from 2018/19 to future years of the LGF programme.
Kent Thameside LSTF	0.348	0.569	0.221	Potential to accelerate LGF spend has been identified.	The Board is asked to approve the acceleration of £0.221m LGF on the project in 2018/19
Kent Strategic Congestion Management Programme	0.766	0.329	-0.437	Slippage of LGF for the A229 Bluebell Hill Scheme due	The Board is asked to approve the re-profiling of £0.437m

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Project	LGF forecast, as reported in September 2018	Latest LGF spend forecast (as reported in October 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
				to pilot having been delayed by DfT.	from 2018/19 to future years of the LGF programme.
Kent Rights of Way Improvement Plan	0.213	0.313	0.100	Potential to accelerate LGF spend has been identified.	The Board is asked to approve the acceleration of LGF spend by £0.100m in 2018/19.
Kent Sustainable Interventions Programme	0.563	0.394	-0.169	Decreased in LGF spend during 2018/19 due to Sloe Lane Cycle Upgrades scheme being put on hold, whilst project costs and land issues are reviewed.	The Board is asked to approve the slippage of 0.169m LGF from 2018/19 to future years of the LGF programme.
Maidstone Integrated Transport Package	2.371	0.758	-1.587	An update is provided in section 6 below	The Board is asked to approve the slippage of £1.587m LGF from 2018/19 to future years of the LGF programme.
A28 Sturry Link Road	1.047	0.758	-0.289	An update on the project risk	The Board is asked to approve the

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Project	LGF forecast, as reported in September 2018	Latest LGF spend forecast (as reported in October 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
				is set out in section 6 below.	slippage of £0.289m LGF from 2018/19 to future years of the programme.
Dartford Town Centre Transformation	2.250	1.520	-0.730	Programme Roadmap has been established, along with a Project Board (first meeting 29-11-18), but updated programme shows reduced LGF spend in 2018/19.	The Board is asked to agree the slippage of £0.730m LGF from 2018/19 to future years of the LGF programme.
A2500 Lower Road	0.869	0.966	0.097	The potential to accelerate LGF spend has been identified.	The Board is asked to agree the acceleration of £0.097m LGF spend in 2018/19.
Fort Halsted	0.0200	0.000	-0.200	An update on the project risk is set out in section 6 below.	The Board is asked to agree the slippage of £0.200m LGF from 2018/19 to future years of the LGF programme.

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Project	LGF forecast, as reported in September 2018	Latest LGF spend forecast (as reported in October 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
Kent and Medway Engineering, Design, Growth and Enterprise (EDGE) hub	2.167	4.167	2.000	The potential to accelerate LGF spend has been identified.	The Board is asked to agree the acceleration of £2.000m LGF spend in 2018/19.
A2 off-slip Wincheap, Canterbury	0.354	0.000	-0.354	Awaiting confirmation of the Highways England Growth and Housing Fund bid. If the application is successful, this will negate the need for LGF investment in the project.	The Board is asked to agree the slippage of LGF spend by £0.354m from 2018/19 to future years of the LGF programme.
Sandwich Rail Infrastructure	1.016	0.665	-0.351	Some delays to project programme have been experienced which have resulted in slippage of LGF. However, confirmation has been received that	The Board is asked to approve the slippage of £0.351m from 2018/19 to future years of the LGF programme.

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Project	LGF forecast, as reported in September 2018	Latest LGF spend forecast (as reported in October 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
				planning approval is not required for the improvement works, which will enable completion of project in advance of The Open in 2020.	
Medway					
A289 Four Elms Roundabout to Medway Tunnel Journey Time Improvements	1.880	1.294	-0.586	An update on the project risk is set out in section 6 below.	The Board is asked to approve the slippage of £0.586m LGF from 2018/19 to future years of the LGF programme.
Strood Town Centre Journey Time and Accessibility Enhancements	6.085	3.558	-2.526	Work has continued onsite, with the initial phases of the project predominantly complete. However, the later phases have been re-programmed in order to minimise the	The Board is asked to agree the slippage of £2.526m LGF from 2018/19 to future years of the LGF programme.

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Project	LGF forecast, as reported in September 2018	Latest LGF spend forecast (as reported in October 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
				risk of disruption as a result of poor weather conditions. Project due to complete in June 2019.	
Chatham Town Centre Place-making and Public Realm Package	1.303	1.503	0.200	Increase in LGF allocation to the project, as detailed in section 8 below.	The Board is asked to agree the acceleration of £0.200m LGF spend in 2018/19.
Medway City Estate Connectivity Improvement Measures	0.462	0.189	-0.273	An update on the project risk is set out in section 6 below.	The Board is asked to agree the slippage of £0.273m LGF from 2018/19 to future years of the LGF programme.
Thurrock					
London Gateway/ Stanford le Hope	2.541	4.698	2.157	The potential to accelerate LGF spend on the project has been identified.	The Board is asked to approve the acceleration of £2.157m LGF spend in 2018/19.
Purfleet Centre	3.306	3.355	0.049	The amount of LGF spend in 2016/17	The Board is asked to approve the increased

Project	LGF forecast, as reported in September 2018	Latest LGF spend forecast (as reported in October 2018)	Change to spend in 2018/19 *	Reason for Change	Board Decision
				was previously overstated by £0.049m. This unmitigated slippage has been carried forward by Thurrock Council from 2016/17 to 2018/19.	LGF spend in 2018/19 by £0.049 as a result of the LGF spend in previous years of the programme being overstated.

*Change to spend between 2018/19 spend forecast received in October 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.

5. Retained schemes 2018/19 spend forecast update

- 5.1. 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.
- 5.2. The spend forecast for LGF retained schemes has reduced from £19.010m LGF, as reported in to the Board in September 2018 to £12.684, as a result of a £6.13m LGF slippage for the A13 widening project and a £0.200m slippage for the A127 Essential Maintenance.
- 5.3. The A127 Essential Maintenance and A127 The Bell project is considered for a funding award under agenda item 5. The updated spend profile submitted alongside the business case takes into consideration the latest delivery information and has identified reduced LGF spend in 2018/19.
- 5.4. A full update on the A13 widening project is provided under Agenda Item 10.

6. Deliverability and Risk

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- 6.1. Appendix 2 sets out a delivery update and risk assessment for all projects included in the LGF programme.
- 6.2. To date, it is reported that a total of 3,635 jobs and 4,519 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. The delivery of jobs and dwellings reported to date is lower than expected, relative to the outputs committed to through the Growth Deal. However, it is likely that the output and outcomes of LGF investment to date in currently understated.

Table 4 Jobs and dwellings delivered through LGF investment to date

	Jobs	Houses
East Sussex	-	-
Essex	3,388	3,331
Kent	166	1,049
Medway	81	139
Southend	-	-
Thurrock	-	-
Total	3,635	4,519

- 6.3. 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.
- 6.4. Deadlines have been 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.
- 6.5. The summary project risk assessment position is set out in Table 5 below. A score of 5 represents high risk whereas a score of 1 represents low risk.
- 6.6. 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:
- 6.6.1. Delivery – considers project delays and any delays to the delivery of project outputs/outcomes
 - 6.6.2. Finances – considers changes to project spend profiles and project budget
 - 6.6.3. Reputation – considers the reputational risk for the delivery partner, local authority and LEP

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

Score	Delivery	Financials	Reputation	Overall
5	8	13	4	11
4	9	11	6	8
3	12	14	13	18
2	16	13	11	19
1	52	46	63	41
Total	97	97	97	97

- 6.7. Through recent conversations with the Cities and Local Growth Unit, the deadline for spend of all LGF by the 31st March 2021 has been reaffirmed. In light of these conversations and the LGF3b process which is currently underway, a more detailed review has been completed to consider the risk of spend beyond the Growth Deal period.
- 6.8. A total of eleven projects have been identified as having a high overall project risk (overall risk score of 5). Details are provided on each of these projects.
- 6.9. SELEP is working with local partners to identify mitigation to manage Project risks and bridge funding gaps. In particular, local partners have used the LGF3b process as an opportunity to seek additional funding contributions to Projects where there is currently a funding gap. The funding bids for the LGF3b process will be considered by the Investment Panel on the 7th December 2018.
- 6.10. It has been agreed with the Strategic Board that all projects which currently have a provisional LGF allocation must come forward for a funding decision by the end of 2018/19. Where it is not feasible to do so, then the provisional funding allocation to the project will be considered for re-allocation as part of the LGF3b process and the refresh of SELEP's investment pipeline; in accordance with the recommendations of the SELEP Deep Dive.
- 6.11. Furthermore, there are a number of projects which have been approved by the Board but have subsequently experienced project issues which have led to the project being put on hold. Given that there is now just over two years until the end of the Growth Deal period, it is intended that options for the management of LGF projects in this position will be presented to the Strategic Board at its next meeting on the 7th December 2018.

- 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 February 2019 and work is underway to understand the amount of LGF which can be spent by the end of the Growth Deal period. A letter is included in Appendix 5 to consider any flexibility to extend LGF spend beyond the Growth Deal period for projects which have been identified as potential HIF projects.

- Basildon Integrated Transport Package (ITP)

In total, Basildon ITP is allocated £8m, with the package including three tranches of works. In May 2017, the Board awarded £1.9m to support the delivery of Endeavour Drive bus lane, however, considerable delivery constraints have been identified to taking forward the delivery of this project. Local discussions are currently being held to consider all feasible options and a decision will be brought back to the Board in February 2019.

- 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. A full update on the project is provided under Agenda Item 9.

- 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. Since the approval of the project in 2016, developer contributions towards the delivery of the project have also been identified. However, the Phase 1 project is currently on hold pending further local consideration of the proposed scheme.

The A274 Sutton Road Maidstone/ Willington Street scheme suffered negative comments during the public consultation and engagement phase. Furthermore, there is also a dispute between Kent County Council and Maidstone Borough Council in relation to the developer contributions towards the A274 Sutton Road/Willington Street Junction. As such, the project has experienced significant delays and there is a risk that the scheme is not deliverable by the end of the Growth Deal period.

As such, it is proposed by Kent County Council that the LGF is diverted to deliver a larger scale project at the A20 London Road/ Willington Street junction. It is expected that the increased scale of intervention at A20 London Road/ Willington Street will increase the benefits delivered through this revised project. However, a revised Business Case will be required to complete the ITE review processes before a decision is sought from the Board in February 2019 to agree the change of scope.

- A28 Sturry Link Road

The project has been awarded £5.8m LGF by the Board in June 2016. However, funding package to deliver the project is dependent on private sector developer contributions. The pace of residential development coming forward will impact the deliverability of the project and spend of the funding contributions within the Growth Deal period. An additional £4.5m LGF is sought from SELEP through the LGF3b process to increase the probability that the project can be delivered within the Growth Deal period, but would increase the public sector contribution sought forward the delivery of the project relative to private sector contributions.

- A28 Sturry Integrated Transport Package

The project was awarded £300,000 LGF for the extension of the existing bus lane along the A28 Sturry Road corridor to enhance the provision of public transport. Whilst the project Business Case set out the intention for the project to be delivered by the end of 2016, the project has been put on hold due to local concerns about the project and traffic diversions which would be required to deliver the project. Alternative delivery methods have been considered but these would increase the project cost and would reduce the benefits to cost ratio for the project. It is expected that the £300,000 allocated to the project will be returned to SELEP as part of the LGF3b process. As such, the bus journey time reliability and the expected increase in bus use, anticipated as a result of the project, will not materialise. Work is underway locally to consider the abortive cost of not progressing and whether delivery options are available to progress with the project as planned in the original business case.

- 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. A funding bid has been submitted through the LGF3b process to seek an additional £5m to £8m LGF to help the project funding gap. The LGF3b applications will be considered by the Investment Panel at its meeting on the 7th December 2018.

- Leigh Flood and East Peckham Storage Area

The Leigh Flood Storage Area was awarded £2.349m LGF by the Board in September 2018, as part 1 of the Project. A remaining £2.287m is allocated to the East Peckham scheme, as part 2. The East Peckham scheme is not as well developed as the Part 1 project and there is a high risk that the LGF allocated to this part of the project cannot be spent within the Growth Deal period. Furthermore, there is also a funding gap and additional funding is required to bridge the gap.

Local correspondence is underway with Rt Hon James Brokenshire MP, as Secretary of State for Housing, Communities and Local Government to investigate whether any flexibility can be granted by MHCLG to enable spend of LGF beyond the Growth Deal period for LGF project. If such flexibilities cannot be granted then the Board will be updated accordingly and a decision will be sought in relation to the £2.287m LGF which is currently allocated to the East Peckham aspect of the Project.

- Fort Halsted

The Fort Halsted was identified as an LGF3b project and was provisionally allocated £1.530m LGF to support the delivery of a new employment hub and mixed use development on ex Ministry of Defence land. However, in 2017 there was a change in land ownership and the current land owners are not expected to leave the site until 2021 and, as such, the project cannot be progressed within the Growth Deal period. At the Investment Panel meeting on the 7th December the Panel will be made aware of the potential availability of this funding for re-allocation to projects which have been prioritised through the LGF3b process for inclusion within SELEPs updated LGF project pipeline.

- A289 Four Elms Roundabout to Medway Tunnel

The project is currently allocated £11.1m LGF to improve capacity and journey time reliability. Subsequently a bid for a further £170m HIF has been submitted and has passed through to the next stage of consideration. A funding decision is expected from MHCLG by May 2019. If the HIF application is successful then a larger scale project would be delivered and a change of request would be sought to increase the scope of the project to utilise both the LGF and HIF contributions to the project. This larger scale project would deliver significantly greater benefits than the existing LGF project, but would require longer to complete the development and the construction of the project.

As such, SELEP has written to MHCLG to consider any flexibility to extend the period of LGF spend for this project. A copy of the letter is included in Appendix 5. If the Government agree to the requested two – year extension to the LGF project, there will be two ways forward once the outcome of the HIF bid is known:

- If the HIF bid is successful, the current LGF scheme will be absorbed within the wider HIF design and delivery programme, with completion due by March 2023. The benefits stated within the LGF Business Case will still be delivered and this will be demonstrated in the Full Business Case, which will be submitted prior to commencement of the construction programme.
- If the HIF bid is unsuccessful, the LGF project will be delivered as currently designed, taking into account the agreed extension to the programme. In this instance an extension of one financial year would be required, with completion of the works due by March 2022. This extension will be required to counteract the pause in the project programme whilst awaiting the outcome of the Council's HIF bid.

If Government do not agree to the requested two-year extension to the LGF programme, the LGF project will be delivered in accordance with the existing programme, with completion due by the end of March 2021. In order to facilitate this, work will continue on the planning application and land acquisition processes in advance of the decision on the Council's HIF bid. Adopting this approach will not support the delivery of the additional benefits which are achievable through aligning the LGF scheme with the proposals for the HIF interventions and risks unnecessarily protracted disruption to the road network.

- **Medway City Estate Connectivity Improvement Measures**

Medway City Estate project was approved by the Board in March 2015 for the award of £2m LGF. The first part of the project has involved the delivery of traffic management alterations, including new traffic signals at the entrance to the westbound tunnel which have been installed and are operational.

Phase two of the Medway City Estate project, as detailed in the Business Case, is for the delivery of improvements for pedestrians and cyclists, with new and enhanced routes through the Medway City Estate, cycle parking, benches and improved connectivity from Sun Pier to Chatham town centre via a riverside walk.

The Business Case also includes measures for a direct river taxi from MCE to Chatham town centre, including a new landing stage on the River Medway at Medway City Estate. The river taxi could connect Medway City Estate with Chatham Town Centre, with the pier in Chatham Town Centre having been refurbished in 2013 using Growing Places Fund (GPF).

However, further engagement with businesses on Medway City Estate has not demonstrated sufficient demand for the proposed walking, cycling and river taxi options proposed within the original Business Case. Further options are currently being investigated and a revised Business Case is required by SELEP in advance of any LGF spend being incurred on alternative options which have not been agreed by the Board.

7. LGF Programme Risks

7.1. 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. There are currently projects included within SELEPs LGF programme which will not be able to spend the LGF by this date, as set out in section 6 above. The full impact of failure to spend our LGF allocation by the end of the Growth Deal period has not been clearly articulated by Government. However, there is 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.

For projects which fail to come forward for an LGF funding decision by the end of 2018/19, the provisional funding allocation to these projects will be considered by the Strategic Board. The Strategic Board will be asked to consider the potential re-allocation of LGF to projects prioritised by the Investment Panel for inclusion in SELEPs LGF pipeline and which can demonstrate spend of the LGF allocation by 31st March 2021. Similarly, options will also be presented to the Strategic Board to agree a mechanism for the review of projects which have been awarded LGF funding but have been put on hold.

Slippage of LGF from 2018/19 to future years of the programme

Risk: A slippage of £39.233m LGF is anticipated from 2018/19 to 2019/20. 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.

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 cash flow position in 2019/20.

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 LGF.

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 30th October 2018, SELEP submitted the second part of its response to the LEP review; this included an agreement to work towards a new legal structure.

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.

8. LGF Project Change – Medway

- 8.1. The Board is made aware of a re-allocation of £200,000 from Strood Town Centre to the Chatham Town Centre Project.
- 8.2. The Chatham Town Centre and Strood Town Centre projects were approved by the SELEP Strategic Board in March 2015 with a funding award of £4m and £9 respectively. Both projects were accessed by the ITE and were recommended to the Board as presenting high value for money.
- 8.3. As work has progressed onsite at Chatham Town Centre it has become apparent that it will not be possible to deliver all the improvements envisaged in Chatham town centre within the original project allocation. Additional funding will be required to facilitate delivery of all the proposed works.

- 8.4. Following completion of the detailed design and costing for the Strood Town Centre project, it was identified that the full LGF allocation was not required in order to deliver the project in its entirety. It is therefore intended that £200,000 will be re-allocated to the Chatham town centre project, in order to facilitate delivery of the remaining works. All the outcomes stated within the Strood town centre Business Case will still be achieved.
- 8.5. Whilst the Benefit Cost Ratio (BCR) presented in the original business case for each project was above 2.0:1 (categorised as high value for money), the BCR for the Chatham Town Centre was higher at 3.30:1. As such, despite the £200,000 increase in public sector investment in the project, the project will continue to demonstrate high value for money for LGF investment. As the public sector contribution to the Strood Town Centre project is reducing, whilst delivering the same benefits as previously stated, the BCR for this project will increase as a result of reallocating £200,000.
- 8.6. The £200,000 change required is within the 10% threshold allowed within the SELEP Assurance Framework and the changes were considered by KMEP on the 24th September 2018. The £200,000 will be re-allocated within 2018/19 and the impact of the proposed change has been reflected in updated LGF spend forecast for 2018/19, as presented in section 4 above.

9. Financial Implications (Accountable Body comments)

- 9.1. All funding allocations that have been agreed by the Board are dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2018/19 have been confirmed however funding for future years 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. A draft of the revised National Assurance Framework has yet to be circulated at the time of writing this report, which means that the full implications remain unclear.
- 9.2. There is a high level of forecast slippage within the overall programme which totals £37.2m in 2018/19; 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.
- 9.3. This misalignment of the funding profile had previously been reported as a risk in 2019/20 when planned spend exceeded the funding available, however, it is noted that this risk has now been mitigated through the planned re-profiling of spend in 2020/21 set out above.

- 9.4. The further allocation of funding through the LGF3b call for projects must include a full consideration of the spend profile of projects in delivery and the expected funding profile.
- 9.5. It is noted above that there is a risk for some projects that have received board approval for their LGF allocations, however, due to local issues, including funding gaps, have been unable to progress with full delivery of those Projects. The impact of these projects on the delivery of the Growth Deal should be considered by the Strategic Board, and, if appropriate, options developed to assure maximum value is achieved from the Local Growth Fund within the Growth Deal period.

10. Legal Implications (Accountable Body comments)

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

11. Equality and Diversity implication

- 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 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.

12. List of Appendices

- 12.1 Appendix 1 – LGF financial update
- 12.2 Appendix 2 – Project deliverability and risk update
- 12.3 Appendix 3 – Projects which require funding approval from the Board
- 12.4 Appendix 4 – Projects with part approval from the Board
- 12.5 Appendix 5 – Letter to MHCLG

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)	8/11/18