

Report title: Local Growth Fund Capital Programme Update	
Report to Accountability Board	
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Meeting Date: 14 th February 2020 Date of report: 15 th January 2020	For: Decision
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SELEP Partner Authority affected: East Sussex, Essex, Kent, Medway, Thurrock and Southend	

1. Purpose of Report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the latest position of the Local Growth Fund (LGF) Capital Programme, as part of SELEP's Growth Deal with Government.
- 1.2 The report provides an update on the spend forecast for 2019/20 and sets the LGF budget for 2020/21.
- 1.3 A high-level summary is provided on the delivery of the programme, including the overall risk and delivery position. This report is supported by several individual project update reports which provide a more focused update on high risk projects.

2. Recommendations

- 2.1. The Board is asked to:
 - 2.1.1. **Agree** the changes to 2019/20 LGF spend forecast, as set out in Appendix 2 and summarised in table 1.
 - 2.1.2. **Agree** a total planned LGF spend in 2020/21 of £87.994m excluding Department for Transport (DfT) retained schemes and increasing to £119.860m including DfT retained schemes. *This decision is subject to sufficient LGF being made available by the Ministry for Housing Communities and Local Government (MHCLG) in 2020/21 as per the provisional funding allocation.*
 - 2.1.3. **Note** the deliverability and risk assessment, as set out in Appendix 3.
 - 2.1.4. **Agree** to remove the Marks Farm project (formerly A131 Braintree to Sudbury) from the LGF programme and reallocate the £1.8m LGF to the next project on the LGF3b pipeline
 - 2.1.5. **Agree** that the Basildon Innovation Warehouse project must:

- 2.1.5.1. submit an updated business case to SELEP secretariat by 24 April 2020 in order to complete the independent technical evaluation (ITE) process, for consideration at the 3 July 2020 Board meeting; and
- 2.1.5.2. provide an update to Board on the 15 May 2020 which provides reassurance to the Board of the deliverability of the project, as set out in section 6.10 below.

If these two conditions cannot be satisfied, it will be recommended to the Board, on the 15th May 2020, that the £870,000 LGF allocation is reallocated to the next project on the LGF3b pipeline.

- 2.1.6. **Agree** that the Exceat Bridge project business case must come forward for a funding decision at the next meeting on 15 May 2020 and confirm that:

- 2.1.6.1. the project presents high value for money;
- 2.1.6.2. a full funding package is in place to deliver the project; and
- 2.1.6.3. the project can meet the conditions, set out in 5.1 below, for LGF spend beyond 31 March 2021.

If these three conditions cannot be satisfied, it will be recommended to the Board, on the 15 May 2020, that the £1.5m LGF allocation is reallocated to the next project on the LGF3b pipeline.

3. LGF spend forecast in 2019/20

- 3.1. The planned LGF spend in 2019/20 has been updated to take account of the latest spend forecast provided by each local area in January 2020. Appendix 2 sets out the changes to LGF annual forecast spend for individual projects, whilst Appendix 3 provides a detailed update on project delivery timescales and risk.
- 3.2. The expected LGF spend in 2019/20 now totals £74.979m, excluding Department for Transport (DfT) retained schemes (see Table 1) and £109.760m including DfT retained schemes.
- 3.3. Since the last update to the Board, the total LGF forecast spend compared to plan, has decreased by £4.524m net, excluding DfT retained projects. This decrease in forecast LGF spend in 2019/20 is despite the inclusion of new LGF3b projects within the LGF programme and the slippage of LGF spend from 2018/19 to 2019/20.
- 3.4. Five projects have reported an expected slippage of greater than £2m LGF spend between the planned LGF spend in 2019/20, as agreed at the outset of the year, and the current spend forecast include:

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- 3.4.1. A28 Chart Road (£3.119m slippage)** – The change to the LGF spend forecast is the result of the unspent LGF, which was previously awarded to this project, having been reallocated through the LGF3b process;
- 3.4.2. Thanet Parkway (£2.355m slippage)** – LGF spend on the project is on hold until the full funding package is in place to deliver the project. An update is provided under agenda item six.
- 3.4.3. A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements (£3.894m slippage)** – the project has been put on hold until the outcome of the Housing Infrastructure Fund bid has been confirmed. A detailed update is provided under agenda item 10.
- 3.4.4. Rochester Airport Phase 1 (£3.083m)** – The delivery of the project has been delayed due to planning issues and, most recently, delays relating to archaeological works on site. A detailed update is provided under agenda item nine.
- 3.4.5. Rochester Airport Phase 2 (£2.182m)** – A detailed update is provided under agenda item nine.
- 3.4.6. Hastings and Bexhill Movement and Access Package (£2.804m)** – The delivery of the project has slipped as a result of the complexity of delivering a multi-model package of smaller scale interventions. Revisions have been made to the design of the project, which has led to a delay to the public consultation. This will increase the delivery pressure during the final year of the LGF programme. A risk of LGF slippage beyond the Growth Deal has been flagged for the project.
- 3.5. The changes to LGF spend forecast for 2019/20 is presented on a project by project basis in appendix 2.

Table 1 LGF spend forecast 2019/20

LGF (£m)					Breakdown of variance	
	Planned LGF spend in 2019/20*	Total forecast LGF spend in 2019/20 (as reported in January 2020)	Variance*	Forecast LGF spend relative to planned spend in 2019/20 (%)	Additional spend/slippage identified for 2019/20 since the last board meeting	Additional spend/slippage previously considered by the Board
East Sussex	9.346	9.348	0.002	100.0%	-6.423	6.425
Essex	15.210	18.844	3.634	123.9%	-1.613	5.248
Kent	18.289	18.527	0.238	101.3%	-1.225	1.463
Medway	16.555	6.185	-10.370	37.4%	-5.028	-5.342
Southend	15.693	13.434	-2.259	85.6%	-0.688	-1.571
Thurrock	4.410	8.641	4.231	195.9%	0.010	4.221
Skills	0.000	0.000	0.000	-	0.000	0.000
M20 Junction 10a	0.000	0.000	0.000	-	0.000	0.000
LGF Sub-Total	79.503	74.979	-4.524	94.3%	-14.968	10.444
Retained	27.811	34.780	6.969	125.1%	1.201	5.768
Total Spend Forecast	107.314	109.760	2.445	102.3%	-13.766	16.212

*Variance between the total planned spend in 2019/20 as reported at outset of the 2019/20 financial year and the total forecast LGF spend in 2019/20, as it currently stands.

The slippage is shown as a negative value, whilst additional LGF spend is shown as a positive value.

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- 3.6. In April 2019, SELEP received an LGF grant allocation of £54.915m from the Ministry of Housing Communities and Local Government (MHCLG), as anticipated.
- 3.7. Considering the MHCLG grant only¹, a total of £57.799m LGF was carried forward from previous financial years. As such, a total of £112.714m LGF was available at the outset of the 2019/20 financial year. Based on the current forecast spend of £74.979m in 2019/20, it is expected that £37.735m will be carried forward as LGF slippage from 2019/20 to 2020/21. Table 2 provides a summary of the forecast slippage, excluding DfT retained scheme funding.
- 3.8. A majority of this LGF slippage will be held by SELEP at the end of 2019/20. It is expected that any unspent LGF held by partner local authorities at the end of the financial year will be transferred into their own capital programmes at the end of 2019/20 to be swapped back out in 2020/21. These arrangements are referred to as an Option 4 capital swap. The details of this arrangement are set out in the Service Level Agreement between the SELEP Accountable Body and partner authorities.

Table 2 LGF spend relative to LGF available in 2019/20 (excluding retained schemes)

MHCLG funding (excluding DfT retained funding)	
	(£m)
LGF allocation in 2019/20 from MHCLG	54.915
MHCLG LGF carried forward from 2018/19	57.799
Total MHCLG LGF available in 2019/20	112.714
Total forecast MHCLG LGF spend in 2019/20	74.979
Total MHLG LGF slippage from 2019/20 to 2020/21	37.735

DfT retained scheme funding

- 3.9. Furthermore, the DfT has transferred £38.856m to SELEP to date in 2019/20, to support DfT retained projects. Table 3 sets out the expected slippage of funding for DfT retained projects.

¹ Excluding DfT retained scheme funding

Table 3 Spend of DfT retained project funding relative to DfT funding available

DfT funding (LGF retained schemes only)	
	£m
LGF allocation in 2019/20 from DfT	38.857
DfT LGF carried forward from 2018/19	7.167
Total DfT LGF available in 2019/20	46.023
Total forecast DfT spend in 2019/20	34.780
Total DfT LGF slippage from 2019/20 to 2020/21	11.243

- 3.10. Considering both the MHCLG funding and DfT retained scheme funding, it is expected that a total of £48.978m LGF will be held across the SELEP area and carried forward to 2020/21.
- 3.11. This forecast slippage of £48.978m LGF from 2019/20 to 2020/21 increases the delivery pressure during the final year of the programme and increases the risk of LGF slippage beyond the end of the Growth Deal period, as set out in section 5 below.

4. LGF spend forecast 2020/21

- 4.1. In 2020/21, SELEP is due to receive £77.873m LGF from MHCLG in April 2020 and a further £29.565m from the DfT in June 2020. Grant determination letters have not yet been received by SELEP for this funding. These funding awards will be conditional upon full compliance with the requirements of the LEP Review and National Assurance Framework. As such, there remains a risk to the availability of LGF in 2020/21.
- 4.2. Table 4 below sets out the planned LGF spend of £87.994m LGF excluding retained schemes and £119.860m LGF including DfT retained schemes in 2020/21. If there is a material change to the LGF award from Central Government, an extraordinary Board meeting will be held prior to LGF being transferred to local partners in Q1 2020/21.

Table 4 - LGF spend in 2020/21 and beyond Growth Deal period

LGF (£m)						
	LGF spend to end of 2019/20	Planned LGF spend in 2020/21	Planned LGF spend in 2021/22	Planning LGF spend on 2022/23	Total	% LGF allocation spent to date
East Sussex	63.483	15.602	1.500		80.585	78.8%
Essex	81.159	11.709	5.172	7.960	106.000	76.6%
Kent	90.608	24.963	5.485		121.057	74.8%
Medway	22.496	13.649	5.574		41.719	53.9%
Southend	27.182	11.496	0.000		38.678	70.3%
Thurrock	26.126	10.574	0.000		36.700	71.2%
Skills	21.975				21.975	100.0%
M20 Junction 10a	19.700				19.700	100.0%
Unallocated					1.923	0.0%
LGF Sub-Total	352.728	87.994	17.731	7.960	468.335	
Retained	69.791	31.866			101.658	
Total Spend Forecast	422.519	119.860	17.731	7.960	569.993	

5. LGF spend beyond the Growth Deal period (ending 31 March 2021)

5.1. The Cities and Local Growth Unit have provided a view that LGF can be spent beyond the Growth Deal period (ending 31 March 2021) if a strong case can be made and justified. Spend of LGF beyond 31 March 2021 is subject to the Board agreeing that five specific conditions have been met. These five conditions include projects demonstrating:

- 5.1.1. A clear delivery plan with specific delivery milestones and completion date having been agreed by the Board;
- 5.1.2. A direct link to the delivery of jobs, homes or improved skills levels within the SELEP area;
- 5.1.3. All funding sources are identified to enable the delivery of the project. Written commitment will be sought from the respective project delivery partner to confirm that the funding sources are in place to deliver the project beyond the Growth Deal;
- 5.1.4. Endorsement from the SELEP Strategic Board that the funding should be retained against the project beyond 31 March 2021; and
- 5.1.5. Contractual commitments being in place with construction contractors by 31 March 2021 for the delivery of the project.

5.2. It is currently expected that £25.691m LGF will be spent beyond the Growth Deal period, ending 31 March 2021 against the following six projects listed in Table 5 below. There is a risk that further LGF slippage beyond the Growth Deal may be identified during 2020/21.

Table 5 – Projects with forecast LGF spend beyond 31 March 2021

Project	Amount of spend beyond 31 March 2021 (£m)	Endorsed by Strategic Board	Agreed by Accountability Board
Beaulieu Park	9.270	Agreed in March 2019	Agreed in February 2019
A127 Fairglen Interchange	3.862	Agreed in January 2020	To be considered once Business Case approved by DFT
Thanet Parkway	4.725	Agreed in January 2020	Considered under agenda item six.
A28 Sturry Link Road	0.760	Agreed in January 2020	Considered under agenda item 18.
Exceat Bridge	1.500	Agreed in January 2020	To be considered in July 2020
Innovation Park Medway	0.350	Update to be provided in March 2020.	To be considered in July 2020
A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements	5.224	TBC	Considered under agenda item 10.
Total	£25.691m		

6. Deliverability and Risk

6.1. Appendix 3 sets out a delivery update and risk assessment for all projects included in the LGF programme. This provides a detailed breakdown of the delivery progress for each LGF project, relative to the expected completion dates as set out in the original business cases. A total of 36 projects have been completed to date.

Outputs and outcomes

6.2. To date, it is reported that a total of 15,776 jobs have been created and 20,835 dwellings have been completed through LGF investment, as shown in Table 6 below.

6.3. The delivery of jobs and homes reported to date remains substantially lower than expected, relative to the 78,000 jobs and 29,000 homes committed through the Growth Deal. The latest forecast of the number of jobs and houses to be delivered across the SELEP area through LGF investment is higher than originally agreed within the Growth Deal, as set out in Table 6

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below. It is forecast that during 2019/20, a total of 12,661 jobs and 5,223 houses will be delivered.

- 6.4. It is likely that the outputs and outcomes of LGF investment to date is currently understated. A lag is also expected between the investment being made and the delivery of the project outcomes. Data around the number of jobs and houses completed in 2019/20 will not be available from data sources such as district housing completions or other data sets until the end of the financial year.

Table 6 Jobs and homes delivered through LGF investment to date, including DfT retained schemes.

	To date			Forecast in 2019/20		Total forecast through delivery of the LGF programme	
	Jobs	Homes	Other outputs	Jobs	Houses	Jobs	Houses
East Sussex	1,241	1,841	0.5km of newly built road and 3km of new cycle route built	2,350	409	4,916	2,708
Essex	11,805	13,600	3.6km resurfaced, 3.8km newly built road, and 13km of new cycle route built	3,554	1,950	52,817	46,300
Kent	169	3,094	7.0km of road resurfaced, 1.2km of newly built road and 18.6km of new cycle route built	5,670	1,177	25,197	23,454
Medway	2,378	1,144	2.1km of road resurfaced and 14km of new cycle route built	867	1,616	19,057	9,905
Southend	0	1156	3.432km of road resurfaced, 0.626km of newly built roads and 0.408km of new cycle route built	0	0	3,864	5,346
Thurrock	183	0	3.75km off-carriageway new cycle/shared use paths, 0.995km of on-carriageway cycle way, 7.5km of footways to off-carriageway cycle/shared used paths.	220	71	20,547	6,859
Total	15,776	20,835		12,661	5,223	126,398	94,572

Risk Assessment

6.5. The summary project risk assessment position is set out in Table 7 below. A score of 5 represents high risk (Red) whereas a score of 1 represents low risk (Green).

6.6. The risk assessment has been conducted for LGF projects based on:

6.6.1. **Delivery** – considers project delays and any delays to the delivery of project outputs/outcomes. SELEP has considered the delay between the original expected project completion date (as stated in the project business case) and the updated forecast project completion date.

To ensure consistency with MHCLG guidance on the assessment of LGF project deliverability risk, all projects with a greater than 3 month delay are shown as having a risk of greater than 4 (Amber/Red), unless the project has now been delivered and there is no substantial impact on the expected project outcomes delivery.

6.6.2. **Finances** – considers changes to project spend profiles and project budget. SELEP has considered the certainty of match funding contributions, and changes to spend in 2019/20 between the planned spend (agreed with the Board at the outset of the financial year) and the updated forecast spend for 2019/20.

6.6.3. **Reputation** – considers the reputational risk for the delivery partner, local authority and SELEP

6.7. Since the end of the last financial year, the number of projects with an overall risk score of five (red) has decreased to five, as a result of funding decisions having been made in relation to certain projects and other projects having been removed from the LGF programme.

6.8. A greater focus has now been placed on the 13 projects that have been assessed as having a risk score of 4 (Amber/Red risk), as set out below.

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

Score	Delivery	Financials	Reputation	Overall
5	11	10	2	5
4	13	7	7	13
3	10	20	16	18
2	12	9	15	20
1	61	61	67	51
Total	107	107	107	107

6.9. Five projects have been identified as having a high overall 'red' project risk (overall risk score of 5). Update reports are provided on four of these high-risk projects under separate agenda items. These projects include:

- **A28 Chart Road, Kent**

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. In June 2019, the Board agreed to reallocate the unspent LGF allocation to this project. This funding has been reinvested through the LGF3b process. The project remains under review to ensure that the £2.756m LGF spend on the project to date remains a capital cost.

- **A28 Sturry Link Road, Kent** - A full project update is provided under item 18.
- **Thanet Parkway, Kent** - update is provided under agenda item six.
- **Innovation Park Medway (Phase 2)** - update is provided under agenda item nine.
- **Innovation Park, Medway Phase 3** – as above.
- **A13 Widening, Thurrock** - update is provided under agenda item seven.

6.10. A further 13 projects have an overall 'amber/red' risk score of 4, out of 5 (with 5 being high). These projects include:

- **Queensway Gateway Road, East Sussex**

An update report is provided under agenda item 13.

- **Bexhill Enterprise Park North, East Sussex**

An update report is provided under agenda item 14.

- **Exceat Bridge Phase 1, East Sussex,**

The Exceat Bridge project has been allocated £1.5m LGF Tranche 1 funding, with a further £610,579 LGF Tranche 2 funding allocated within the LGF3b pipeline. The Tranche 2 LGF will only become available if sufficient LGF is reallocated from an existing LGF project.

Since the project was prioritised by the Investment Panel in June 2019, further development work has been undertaken by East Sussex County Council. The specification of the project has been enhanced in response to feedback from stakeholders and statutory consultees, but which has led to an increase to the

total cost of the Project. This has created a funding gap of over £1.2m (over and above the Tranche 2 LGF allocation).

An application has been submitted to DfT's Maintenance Challenge Fund to bridge the funding gap for the project. The outcome of this bid is expected to be confirmed in April 2020. East Sussex County Council will be required to demonstrate that a full funding package is in place to deliver the project prior to a funding award by the Board.

Given the amount of time that has passed since the Exceat Bridge project was prioritised by the Investment Panel in June 2019, it is recommended to the Board that the project must come forward for funding consideration at the next meeting on 15 May 2020.

On 15 May 2020, along with the normal value for money considerations, the Board will be asked to consider whether a full funding package is in place to deliver the project and whether the project can satisfy the five conditions set out in section 5.1 above for LGF spend beyond 31 March 2021. If the Board is not satisfied with the deliverability of the project on 15 May 2020, the Board will be asked to consider whether the £1.5m Tranche 1 LGF should be reallocated.

- **A127 Fairglen Junction Improvements and New Link Road**

The project is a Department for Transport (DfT) retained project. This means that the business case requires approval from DfT. The business case is now due to be submitted to the DfT in June 2020 and the project delivery will extend beyond the Growth Deal period.

Efforts are being made to accelerate LGF spend on the project by the end of the Growth Deal, including the spend of £1.5m DfT LGF in 2019/20 in advance of business case submission. However, £3.862m LGF spend is now forecast beyond 31 March 2021. As the full business case comes forward for consideration by SELEP and the DfT, the Board will be asked to agree that the Project satisfies the conditions for LGF spend beyond the Growth Deal.

- **Marks Farm Roundabout (previously A131 Braintree to Sudbury)**

An update on the Marks Farm Roundabout project is set out in section seven below.

- **Basildon Innovation Warehouse**

The Basildon Innovation Warehouse project was prioritised by the Investment Panel for £870,000 LGF in June 2019 for the delivery of a new flexible workspace for new small businesses.

Issues have arisen related to WiFi provision at the proposed Basildon Innovation Warehouse site. Whilst the site is due to be connected as part of a Local Full Fibre programme, the timescales for connecting the site extend

beyond the expected completion date for the project. As WiFi connectivity is a key requirement for the workspace, alternative sites are now being explored.

It was originally expected that the business case would be submitted in March 2020, for a funding decision on 15 May 2020. Additional time is now required to consider the feasibility of alternative sites. As such, the project will not meet SELEP's timescales for business case submission until the Board meeting on the 3 July 2020.

It is therefore recommended that the Board should agree that the Basildon Innovation Warehouse Business Case must be submitted to SELEP Secretariat by 24 April 2020, prior to the 3 July 2020 Board meeting.

An update report will be provided to the Board at its next meeting on 15 May 2020 to confirm that the deadline for business case submission has been met and to provide an update to confirm whether:

- an alternative feasible site has been identified;
- a full funding package is in place to deliver the project;
- the LGF can be spent in full within the Growth Deal period or satisfy the conditions for LGF spend beyond 31 March 2021; and
- the project can still deliver the same scale of benefits as the previous site.

If the Board is not satisfied with the progress update on 15 May 2020, recommendations will be made to the Board for the reallocation of the £870,000 LGF to the next project on the LGF3b pipeline.

- **Thanet Parkway** – see update under agenda item six.
- **Maidstone Integrated Transport**

The Board has previously agreed the award of £8.9m LGF to the delivery of the project. The project is split into three separate interventions, with progress being made towards the delivery of all three phases, including:

- Phase 1 – Willington Street improvements
- Phase 2 – M2 Junction 5, Coldharbour Roundabout
- Phase 3 - A229 Loose Road corridor and A20 London Road/ Hall Road/ Mills Road junction

As these three phases are being delivered at different locations across Maidstone, the timescales for project construction and traffic management during the construction phase is being carefully considered to avoid severe traffic disruption. The delivery of the projects will therefore extend beyond the growth deal period.

Whilst it is currently expected that the LGF will be spent in advance of developer contributions, there is a risk of LGF slippage beyond 31st March 2021. The Board will be kept up to date on this risk and will be asked to agree any slippage of LGF beyond the Growth Deal period.

- **A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements** - See update under agenda item 10.
- **Rochester Airport Phase 1** – see update under agenda item nine.
- **London Gateway/Stanford le Hope**
The project was approved in February 2017 for the award of £7.5m LGF with the project due to complete in December 2018 (according to the original business case). The project will provide a new multi-modal interchange and station building.

The project is being delivered in partnership with C2C train operating company. The LGF being spent in advance of funding contributions to the project by DP World London Gateway, C2C and London Gateway. It is therefore expected that the LGF will be spent in full before the end of the Growth Deal but with the delivery of the project extending beyond 31st March 2021. The delays have been incurred through the delivery of the project to date, as a result of the original design of the project having come in over budget.

Demolition works at the station has been completed. The project is being redesigned to reduce project costs and an alternate delivery routes are being reviewed. The council has agreed to fund any additional funding required to complete the delivery of the project, as per the original business case for the project. The project has a very high value for money of 9.4:1. As such, the increase in project cost is not expected to impact the value for money category for the project.

- **Capital Skills Programme**

The circa £22m LGF capital skills programme has been completed. However, further work is required to review SELEP's LGF investment across the Hadlow Group, as a result of Hadlow College having entered educational administration. An update is provided under agenda item 19.

7. Marks Farm Roundabout - Formerly A131 Braintree to Sudbury project

- 7.1. The A131 Braintree to Sudbury project was originally awarded £1.8m LGF to support the delivery of a package of measures along the A131 from Braintree to Sudbury, to improve safety and reduce delays along the corridor.
- 7.2. Following a comprehensive review of their Capital Programme, Essex County Council took the decision to withdraw their £1.8m match funding contribution from the project, leaving only the £1.8m LGF investment to deliver the proposed works. This, in conjunction with an increase in forecast costs, prompted a review of the project scope and consideration of alternative potential funding sources to seek to ensure at least some elements of the project could still be delivered.

- 7.3. Essex County Council concluded that the Marks Farm roundabout element of the project should be delivered as it was considered to be the most strategically important element of the wider original project scope. The other elements of the original project have been removed from the project scope.
- 7.4. On the 13 September 2019, the Board agreed the business case for the amended scope of the A131 Braintree to Sudbury project; Marks Farm Roundabout. The award of £1.8m LGF by the Board to the Marks Farm project was subject to the S106 contributions being confirmed to complete the funding package for the project.
- 7.5. The S106 contributions have been effectively negotiated and will provide the full funding package to deliver the Marks Farm project; negating the need for LGF investment. As the Marks Farm project will be fully funded through private sector investment, it is recommended that the LGF should be returned for reinvestment on the next project on the LGF3b pipeline.

8. LGF Programme Risks

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

Government's 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. The transfer of £77.873m in 2020/21 for the final year of the programme remains dependent on full compliance with the requirements of the LEP review, National Local Growth Assurance Framework and successful outcome of the Annual Performance Review.

Mitigation: Agenda item 13, Operational Plan and Assurance Framework Implementation update, details the latest position in relation to compliance with the governance requirements from Central Government and actions to address these.

If the 2020/21 LGF allocation is not received in full, as anticipated, an additional extraordinary Board meeting will be organised, prior to the transfer of LGF for Q1 2020/21.

LGF spend within Growth Deal period

Risk: Whilst the Cities and Local Growth Unit have indicated some flexibility to spend LGF beyond the Growth Deal Period (31 March 2021), the full impact of failure to spend the LGF allocation by this date has not been clearly articulated by Government. There is a potential reputational risk in terms of our ability to successfully secure funding from Central Government for funding streams which follow on from the Local Growth Fund, such as the Shared Prosperity Fund, if SELEP continues to hold substantial LGF allocations beyond the Growth Deal.

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Mitigation: New LGF3b projects have been included in the LGF programme following the last Investment Panel meeting on the 28 June 2019. A pipeline of future projects was also agreed. This will enable new LGF3b projects to progress at pace should additional LGF become available though project underspend.

The introduction of five criteria which projects are required to meet for LGF spend beyond 31 March 2021 will also help ensure that LGF spend beyond 31 March 2021 is only permitted on an exceptional basis only.

Slippage of LGF to future years of the programme

Risk: A slippage of £57.799m MHCLG LGF and £7.167m DfT LGF has been reported from 2018/19 to 2019/20. Based on the current spend for recast for 2019/20, a slippage of £48.978m LGF is forecast from 2019/20 to 2020/21. The backloading of LGF spend will create delivery pressures during the final years of the Growth Deal programme.

The slippage of LGF spend also 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.

Mitigation: There will be clear communication with Government about the successful delivery of LGF projects to date and justification provided where slippage of LGF spend is expected beyond 31 March 2021. A positive position was articulated to Government through the written material and verbal update presented as part of the Annual Performance Review with the Cities and Local Growth Unit in January 2020.

Evidenced delivery of project outputs and outcomes

Risk: Local partners have made substantial progress towards the delivery of LGF projects, 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 homes delivery from some 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 local areas 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.

Section 151 officer (S151) 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.

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 2019/20 have been confirmed and received, however, funding for future years is indicative.
- 9.2. Government has made future funding allocations contingent on full compliance with the revised National Local Growth Assurance Framework. Allocations are also contingent on the Annual Performance Review of SELEPs LGF programme by Government and assurance from the Accountable Body's S151 Officer that the financial affairs of the SELEP are being properly administered.
- 9.3. A key assessment made in the Annual Performance Review is effective delivery of the Programme; it is noted that there was a high level of slippage from 2018/19 into 2019/20 totalling £57.799m; in addition, slippage in excess of £37.735m (excluding DfT programmes) is already reported into 2020/21. This creates a risk to delivery in the remaining 13 months of the programme.
- 9.4. Essex County Council, as the Accountable Body, is responsible for ensuring that the LGF funding is utilised in accordance with the conditions set out by Government for use of the Grant.
- 9.5. Should the funding not be utilised in accordance with the conditions, the Government may request return of the funding, or withhold future funding streams.
- 9.6. The Accountable Body is ensuring that the grant is spent in line with the Grant Determination letter condition, which does not impose an end date for use.
- 9.7. Alongside the annual grant determination letter, Government has written to SELEP and the Accountable Body, emphasising the requirement for the grant to be spent on the Growth Deal (which has a lifetime of April 2015 to March 2021) and that future funding allocations remain subject to the outcome of future annual conversations and compliance with the National Local Growth Assurance Framework.
- 9.8. SELEP have raised the issue of the application of the LGF grant beyond the end of the growth deal period with central Government and have sought clarity on this over a number of months, but this is not yet confirmed, and it remains unclear when a response will be provided.

10 Legal Implications (Accountable Body comments)

10.7 There are no legal implications arising from this report.

11 Equality and Diversity implication

11.7 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.

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

11.9 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 spend forecast update
- 12.2 Appendix 2 - Changes to 2019/20 spend forecast
- 12.3 Appendix 3 - Project deliverability and risk update

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 Nicole Wood, S151 Officer, Essex County Council)	6/2/2020

