

Report to Accountability Board	Forward Plan reference number: FP/AB/109
Date of Accountability Board Meeting:	17 th November 2017
Date of report:	30 th October 2017
Title of report:	Capital Programme Management of the Local Growth Fund
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1. Purpose of report

- 1.1 The purpose of this report is to update the SELEP Accountability Board (the Board) on the latest position of the Local Growth Fund (LGF) Capital Programme, as part of SELEP's Growth Deal with Government.

2. Recommendations

- 2.1 The Board is asked to:

2.1.1 **Note** the updated LGF spend forecast for 2017/18

2.1.2 **Note** the project delivery and risk assessment

2.1.3 **Agree** the slippage of LGF spend from 2017/18 to 2018/19 for the following projects:

- 2.1.3.1 Eastbourne Town Centre (£1.945m);
- 2.1.3.2 STEM Innovation Centre (£4.550m);
- 2.1.3.3 Basildon Integrated Transport Package (£1.068m)
- 2.1.3.4 Maidstone Integrated Transport Package (£0.729m);
- 2.1.3.5 Thanet Parkway (£4.000m);
- 2.1.3.6 Coastal Communities Housing Intervention – Thanet (£0.370m);
- 2.1.3.7 A289 Four Elms Roundabout to Medway Tunnel Journey Time and Network Improvements (£1.768m)
- 2.1.3.8 Strood Town Centre Journey Time and Accessibility Enhancements (£1.220m);
- 2.1.3.9 Chatham Town Centre Place-making and Public Realm Package (0.869m);
- 2.1.3.10 Rochester Airport – Phase 1 (£1.944m);
- 2.1.3.11 Rochester Airport – Phase 2 (£0.300m); and
- 2.1.3.12 Strood Civic Centre – flood mitigation (£0.250m)
- 2.1.3.13 TGSE LSTF – Thurrock (£0.169m);
- 2.1.3.14 Thurrock Cycle Network (£0.620m);
- 2.1.3.15 London Gateway/Stanford le Hope (£0.837m)
- 2.1.3.16 A13 Widening Development Funding (£2.292m)

2.1.4 **Agree** the acceleration of LGF spend in 2017/18 for the following projects:

- 2.1.4.1 Eastbourne and South Wealden Walking and Cycling LSTF package (£0.750m);
- 2.1.4.2 Devonshire Park (£1.600m);
- 2.1.4.3 A131 Chelmsford to Braintree (£0.750m)
- 2.1.4.4 M11 Junction 8 Improvements (£0.500m)
- 2.1.5 **Agree** the reduced spend forecast in 2017/18 and 2018/19 for the Ashford International Rail Connectivity Project to support the re-allocation of LGF to the Sandwich Rail Infrastructure Project in 2018/19, subject to the award of LGF to the Sandwich Rail Infrastructure Project under Agenda Item 9.
- 2.1.6 **Note** the reallocation of LGF from A414 Harlow to Chelmsford Route Based Strategy to Mercury Theatre Project, subject to agreement by the Board under Agenda Item 7
- 2.1.7 **Note** the change request for the Phase 2 Forum development Southend, subject to development of a Business Case and completion of ITE review process

3. 2017/18 LGF update – delivery

- 3.1 To date, the Board has approved a total of 70 projects and the award of over £347m LGF to projects included within SELEP's Growth Deal programme.
- 3.2 For projects awarded LGF to date, a majority of these projects have now completed detailed design work and construction works have started on sites. Through the first part of the financial year, project delivery highlights for each Local Partner include:
- 3.2.1 **East Sussex:** Site demolition works have started on Devonshire Park project, which was awarded LGF through Round 3 and approved by the Board in March 2017. The project will deliver a Welcome Centre, as part of the conference centre, to attract new visitors to Eastbourne and East Sussex.
- 3.2.2 **Essex:** The first part of 2017/18 has seen the completion of Colchester Integrated Transport Package and Town Centre works, including measures to tackle congestion and increase capacity to support the delivery of jobs and houses, particularly within the cities Northern Growth Area.
- 3.2.3 **Kent:** In August, the Folkestone Triennial event showcased SELEP's investment in the Folkestone Seafront project, with harbour dredging and beach re-shaping having been completed, along with a new beach walkway.
- 3.2.4 **Medway:** The construction works as part of Chatham Town Centre place-making and public realm works are progressing on site and are due to complete in the early part of 2018/19. The project will deliver improvements to Chatham Station, along with improved pedestrian and cycle connectivity links to the town centre.
- 3.2.5 **Southend:** Phase 1 of the Southend Airport Business Park has now been completed; delivering a site access road and works to unlock the site for commercial development. The second phase of the project is now underway, to unlock 60,000²m of employment space.
- 3.2.6 **Thurrock:** Land negotiations and acquisitions continue for the Purfleet Centre Project, with the intention of creating a new town centre supported by substantial residential development. The detailed design works are near completion and a planning application is due to be submitted in late 2017.
- 3.3 To date, SELEP has seen the successful delivery of 17 projects, with a further 9 projects due to complete in 2017/18. These projects are listed in Table 1 below.

Table 1 – Project delivery to date and for completion by end of 2017/18

Projects Completed to Date	Delivered on Budget
Swallow Business Park, Hailsham (A22/A27 Growth Corridor)	
Sovereign Harbour (aka Site Infrastructure Investment)	
Colchester Broadband	
Colchester LSTF	Increase in LGF allocation to manage increase in cost
Colchester Town Centre	Delivered under budget
TGSE LSTF – Essex	
A414 Maldon to Chelmsford RBS	
Colchester Park and Ride and Bus Priority measures	
Tonbridge Town Centre	Increase in project scope
M20 Junction 4	

Project to be completed by end of 2017/18	Project Risk
Newhaven Flood Defence (SELEP funded part)	
Coastal Communities Housing Intervention – East Sussex	
A414 Pinch Point Package: A414 First Avenue & Cambridge Rd junction	Increase in total project cost
Rathmore Road	
Ashford Spurs	
Folkestone Seafront – non-transport	
Medway Cycling Action Plan	
A127 Kent Elms Corner	Delays to project delivery and LGF spend,
Phase 1 Southend Central Area Action Plan – Transport Project	

Tunbridge Wells Junction Improvements Package Phase 1	Delivered under budget
Maidstone Gyratory Bypass	
Folkestone Seafront : onsite infrastructure and engineering works	
Maidstone Sustainable Access to Employment	
Dover Western Docks Revival – A20 Improvements	
Southend Growth Point (Phase 1 of SCAAP non-transport)	
TGSE LSTF - Southend	

4. 2017/18 LGF update - finance

- 4.1 On the 22nd September the Board was provided with an updated planned spend for 2017/18 based on the additional slippage identified through the Declaration of Grant Usage. The restated budget restated to total planned spend for 2017/18 as £122.596m for non-retained and £31.126m for Department for Transport (DfT) retained schemes. The detail can be seen in Table 2 below.
- 4.2 On the 18th October 2017, officers from each Federated Area attended the SELEP Programme Consideration Meeting to:
- Provide an updated spend forecast for 2017/18 and future years of the LGF programme;
 - Discuss the project deliverability and risk assessment;
 - Identify project changes to be brought to the attention of the Board; and
 - Consider mitigation to be implemented to address project risks.

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

Table 2 Updated LGF spend forecast 2017/18

LGF (£m)						
	Planned Spend in 2017/18 (as restated in September 2017)	Total Forecast Spend in 2017/18 (as reported in October 2017)	Variance*	Variance* (%)	Variance approved to date	Variance to considered on the 17th November 2017
East Sussex	25.999	26.404	0.405	0.016	0.000	0.405
Essex	17.867	14.099	-3.768	-0.211	0.600	-4.368
Kent	32.236	25.923	-6.313	-0.196	-0.918	-5.395
Medway	12.299	5.910	-6.389	-0.519	-0.038	-6.351
Southend	13.508	7.517	-5.991	-0.444	-5.991	0.000
Thurrock	12.293	8.905	-3.387	-0.276	0.000	-3.918
Skills	0.096	0.096	0.000	0.000	0.000	0.000
M20 Junction 10a	8.300	8.300	0.000	0.000	0.000	0.000
LGF Sub-Total	122.597	97.153	-25.443	-0.208		
Retained	31.126	15.211	-15.915	-0.511		
Total Spend Forecast	153.723	112.364	-41.358	-0.269		

- 4.4 Table 2 identifies substantial variance between the planned spend and updated spend forecast of £25.443m excluding DfT retained schemes and £41.358m including DfT retained schemes.
- 4.5 The revised total forecast LGF spend in 2017/18 now totals £97.153m excluding retained schemes and £112.364m including DfT retained schemes. This is relative to a planned spend of £122.596m excluding retained schemes and £153.722m including retained schemes, as re-state in September 2017.
- 4.6 The updated spend forecasts takes account of the forecast slippage and acceleration of LGF projects in 2017/18 as highlighted through the October LGF update returns by local partners. The changes to forecast spend identified since August 2017 are detailed in Table 3 below.

Table 3 Identified LGF slippages and acceleration in 2017/18 (£m), reported since previous Board meeting

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in September 2017)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
East Sussex					
Eastbourne and South Wealden Walking and Cycling LSTF package	£0.880	£1.630	£0.750	Acceleration of LGF spend to help mitigate slippage on Eastbourne Town Centre LSTF access and improvements package	The Board is asked to approve the acceleration of LGF spend by £0.750m in 2017/18.
Eastbourne Town Centre LSTF access and improvement package	£2.450	£0.505	£-1.945	Substantial programme delays resulting in LGF underspend. See detail in 4.7.1 below.	The Board is asked to approve the slippage of £1.945m LGF from 2017/18 to 2018/19
Devonshire Park	£3.400	£5.000	£1.600	Acceleration of LGF spend to help mitigate slippage on Eastbourne Town Centre LSTF access and improvements package	The Board is asked to approve the acceleration of LGF spend by £1.600m in 2017/18
Essex					
Basildon Integrated Transport Package	£1.868	£0.800	£-1.068	The Board approved the re-profiling of £1.868m LGF in May 2017, in line with the revised Business Case considered by the Board for	The Board is asked to approve the revised slippage of £1.068m from 2017/18 to 2018/19.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in September 2017)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				approval. Subsequently the opportunity to accelerate £800,000 LGF spend in 2017/18 has been identified.	
A131 Chelmsford to Braintree	£0.750	£1.500	£0.750	Acceleration of LGF spend to help mitigate slippage on STEMs Innovation Centre	The Board is asked to approve the acceleration of LGF spend by £0.750m in 2017/18
STEM Innovation Centre	£4.650	£0.100	£-4.550	Substantial programme delays resulting in LGF underspend. See detail in 4.7.2 below.	The Board is asked to agree the slippage of £4.550 LGF from 2017/18 to 2018/19.
M11 Junction 8 Improvements	£0.000	£0.500	£0.500	Acceleration of LGF spend to help mitigate slippage on STEMs Innovation Centre	The Board is asked to approve the acceleration of LGF spend by £0.500m in 2017/18
Kent					
Maidstone Integrated Transport Improvements	£2.135	£1.405	£-0.729	Project delays as a result of revised design to accommodate additional traffic from new residential development sites.	The Board is asked to approve the slippage of £0.729m LGF from 2017/18 to 2018/19.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in September 2017)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
Ashford International Connectivity Project (Ashford Spurs)	£8.903	£8.607	-£0.296	Due to the identified underspend for the project and the re-allocation of funding to Sandwich Rail Infrastructure Project, the forecast spend in 2017/18 has reduced.	The Board is asked to approve the reduced spend forecast in 2017/18 and 2018/19 to support the re-allocation of LGF to Sandwich Rail Infrastructure Project.
Thanet Parkway	£4.000	£0.000	-£4.000	No clear option has been identified to bridge the project funding gap and to progress to project delivery. A detailed update is provided in 4.7.3 below.	The Board is asked to approve the slippage of £4.000m LGF from 2017/18 to 2018/19.
Coastal Communities Housing Intervention-Thanet	£0.667	£0.297	-£0.370	Delays to the start of construction works with the Ethelbert Crescent works due to complete in early 2018/19 and the Warwick Road works to start on site in summer 2018/19.	The Board is asked to approve the slippage of £0.370m LGF from 2017/18 to 2018/19.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in September 2017)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
Medway					
A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements	£2.353	£0.585	£-1.768	At the last Board meeting the Board was provided with a detailed project update. A preferred option has now been identified and a revised Business Case is due to be considered in February 2018.	The Board is asked to approve the revised slippage of £1.768m from 2017/18 to 2018/19.
Strood Town Centre Journey Time and Accessibility Enhancements	£2.417	£1.197	£-1.220	The project is progressing to programme with works expected to start on site in January 2018. However, the planned spend was too ambitious to be achieved and a revised spend profile has been prepared. See detail in 4.7.4 below.	The Board is asked to approve the revised slippage of £1.220m LGF from 2017/18 to 2018/19.
Chatham Town Centre Place-Making and Public Realm Package	£2.183	£1.314	£-0.869	The project programme has been amended to avoid Battle of Medway celebrations and Christmas shopping/events period. This delay to the project has implications for	The Board is asked to approve the revised slippage of £0.869m LGF from 2017/18 to 2018/19.

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in September 2017)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				the LGF spend profile.	
Rochester Airport Phase 1	£2.825	£0.881	£-1.944	This project has experienced substantial delays. This has mainly been the result of delays to the submission of planning applications.	The Board is asked to approve the revised slippage of £1.944m LGF from 2017/18 to 2018/19.
Rochester Airport Phase 2	£0.300	£0.000	£-0.300	The delays to the Phase 1 project have had an impact on the development of the Phase 2 project.	The Board is asked to approve the revised slippage of £0.300m LGF from 2017/18 to 2018/19.
Strood Civic Centre – flood mitigation	£1.000	£0.750	£-0.250	The Business Case is due to be submitted in February 2018 but the slippage reflects the updated project programme based on the delayed Business Case submission.	The Board is asked to approve the slippage of £0.250m LGF from 2017/18 to 2018/19.
Thurrock					
TGSE LSTF - Thurrock	£0.269	£0.100	£-0.169	There have been substantial delays to the delivery of this project with the Business Case setting out an expected project completion date	The Board is asked to approve the slippage of £0.169m from 2017/18 to 2018/19

	Planned LGF spend in 2017/18	Updated LGF spend forecast (as updated in September 2017)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
				by September 2016.	
Thurrock Cycle Network	£2.589	£2.500	-£0.089	Two designers and contractor on board to help press ahead with construction of Tranche 1a schemes and design for 1b and 2. However some spend risk identified.	The Board is asked to approve the revised slippage of £0.089m from 2017/18 to 2018/19.
London Gateway/ Stanford le Hope	£2.837	£2.000	-£0.837	Programme has been delayed due to the need to complete a value engineering exercise to reduce project cost. Project can be delivered within available budget but schedule has been delayed.	The Board is asked to approve the slippage of £0.837m from 2017/18 to 2018/19.
A13 Widening Development Funding	£2.292	£0.000	-£2.292m	Substantial underspend has been identified in 2017/18. A detailed project update is provided in Agenda Item 10.	The Board is asked to approve the slippage of £2.292m LGF from 2017/18 to 2018/19.

4.7 Projects with slippage of greater than £1m LGF which have been identified through the last round of update reporting include:

4.7.1 **Eastbourne Town Centre LSTF access and improvement package (£1.945m LGF slippage)**

The project has experienced substantial delays due to the need to revise the project design work to reflect comments received through public and stakeholder consultation. This has had a knock on impact on the timescales for procurement, overall project delivery and LGF spend. The first phase of the project (£3m LGF for Terminus Road improvements associated with the extension of the Arndale Centre) was due to complete in 2017/18, but the revised programme shows works starting on site in January 2018 and the project is now expected to complete in spring 2019.

Detailed design work has been completed and tenders have been issued for the construction works. A Business Case for the second phase of the project is due to be considered by SELEP Accountability Board in February 2018.

4.7.2 **STEM Innovation Centre (£4.550m LGF slippage)**

The STEM Innovation Centre project has experienced project delays due to the proposed change of scope to the project. Whilst it was originally intended that the £5m LGF allocation would be invested solely at the Colchester Institute, a revised proposal is due to be considered by the Board on the 15th December 2017. A change request is being developed for the split of the LGF allocation between interventions at the Colchester Campus and the Braintree Campus. Project Business Cases are currently being developed on this basis. Project delays have been experienced as a result of the need to amend project governance arrangements.

Subject to the projects being recommended for approval in February 2018 and the Board approving the projects, it is expected that the two projects will be delivered by December 2019. A revised spend profile has been submitted to reflect the revised project delivery schedule.

4.7.3 **Thanet Parkway (£4m LGF slippage)**

The funding gap for Thanet Parkway remains following the unsuccessful bid to the New Stations Fund. KCC, acting on advice from the Department for Transport, is exploring options to close the funding gap from investment by the rail industry. The draw-down of LGF funding has therefore been re-profiled to reflect these changing circumstances and the likely timeframe to secure funding from alternative sources to complete the funding package.

4.7.4 Strood Town Centre Journey Time and Accessibility Enhancements (£1.220m LGF slippage)

The Strood town centre journey time and accessibility enhancements project comprises both public realm and traffic management improvements. Throughout the project there has been ongoing engagement with the internal Traffic Management and Road Safety teams to ensure that the proposed highway changes improve the performance of the traffic network whilst also complying with the required design and safety standards. As work on RIBA stage 3 (developed design) was drawing to a close a stage 1 Road Safety Audit was requested to formally assess the safety of the highway proposals. This Road Safety Audit identified a number of points which required further consideration by the design team before work could commence on RIBA stage 4 (technical design).

Whilst work was underway to address the points raised by the Road Safety Audit, it was possible to commence work on RIBA stage 4 for phase 1 of the public realm improvements. This has ensured that despite the minor delay in progressing with the technical design for the highway improvements the project is still moving forward with work expected to start onsite in January 2018. It is anticipated that the highway improvement works will begin onsite in April 2018, following completion of RIBA stage 4.

When the 2017/18 spend profile was initially established it was anticipated that construction work would begin onsite during late 2017, rather than early 2018. As a result of this amendment to the programme it has been necessary to re-profile £1.2m into 2018/19. Despite the required re-profiling the project will still be complete by the end of 2018/19, which is in line with the agreed funding period.

4.7.5 A13 Widening Development Funding (£2.292m)

A detailed update on the A13 Widening project is provided under Agenda Item 10.

- 4.8 In addition, an adjusted slippage has been provided for A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements, Rochester Airport Phase 1 and Basildon Integrated Transport Package. These projects continue to show a slippage of greater than £1m LGF, as detailed in Table 3.

5. Programme Slippage Summary

- 5.1 At the outset of 2017/18 financial year, a £3.009m over-profiling of the LGF programme was identified due to the difference between the planned LGF spend and the amount of LGF underspend available in 2017/18. However, as a result of the slippage of LGF from 2016/17 to 2017/18 and slippage of LGF spend which has already been identified from 2017/18 there is now a forecast slippage of £21.363m LGF from 2017/18 to future years of the programme (excluding retained schemes), as set out in Table 4 below.

Table 4 LGF spend relative to LGF allocation in 2017/18, excludes retained schemes (£m)

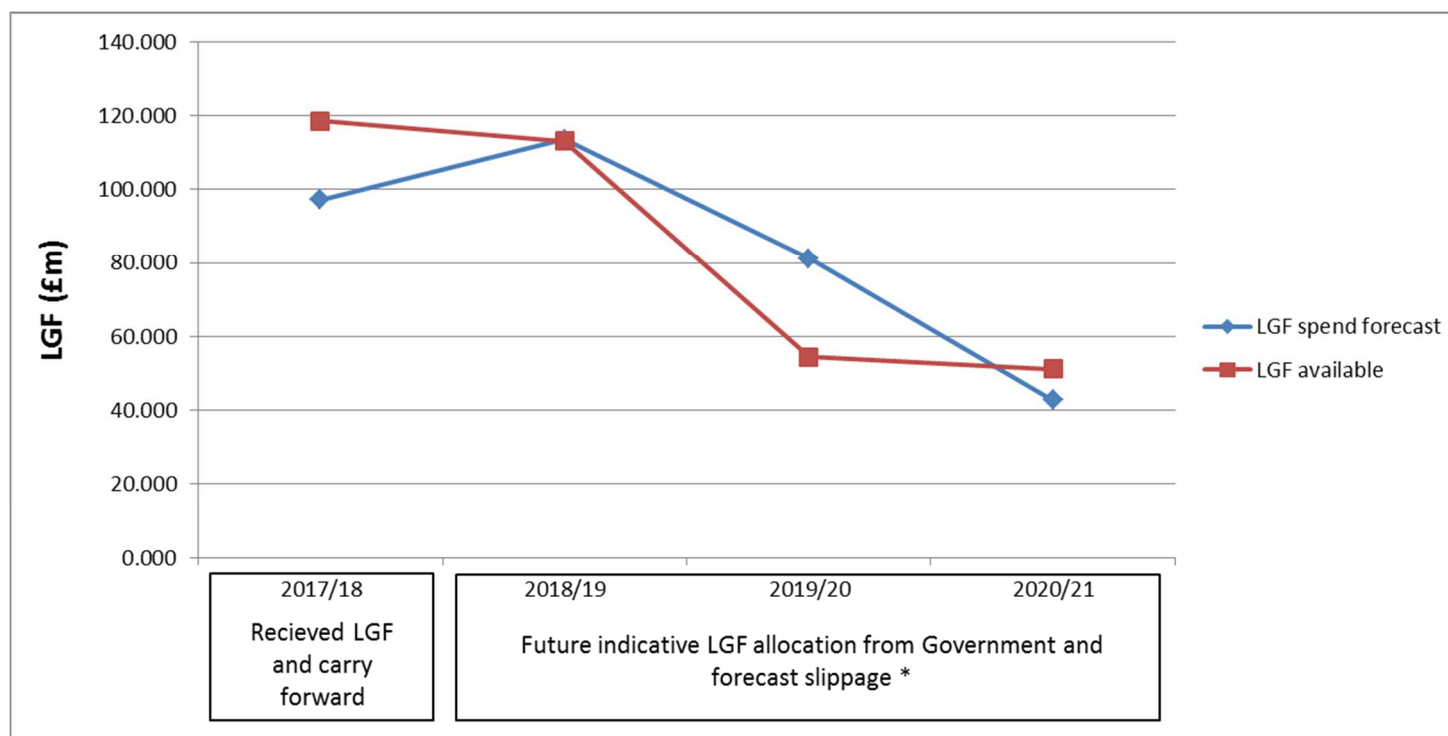
	(£m)
LGF allocation in 2017/18	92.088
Carry forward from 2015/16 and 2016/17 to 2017/18	26.428
Total LGF available to spend in 2017/18	118.517
Total LGF revised planned spend in 2017/18	97.153
Variance*	21.363

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

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

- 5.2 Whilst delivery partners are encouraged to accelerate LGF spend in 2017/18 where possible, the expected slippage of LGF spend during 2017/18 will be used to help offset the difference between the spend profile and the annual funding allocation from Government during 2018/19 and 2019/20 as set out in Figure 1 below.

Figure 1 LGF spend profile relative to LGF available



*Including forecast LGF slippage from 2017/18 to 2018/19

- 5.3 Figure 1 shows that the amount of LGF available in 2017/18 now exceeds the planned spend by £21.363m. Through the duration of the programme there is sufficient LGF allocated by Government to fund all LGF projects included in the programme. However, in 2019/20 the planned LGF spend currently exceeds the LGF expected to be available, whilst in 2020/21 the amount of LGF available exceeds the planned spend. In 2018/19, the planned spend currently aligns with the LGF available.
- 5.4 Without any mitigation actions being applied, the expected gap between the planned LGF spend and the amount of LGF available in 2019/20 totals £26.7m. However potential mitigation measures have identified.
- 5.5 The LGF allocation from the Department for Communities and Local Government (DCLG) remains an indicative allocation. To help mitigate the risk in relation to future year funding and the cap in the funding allocation in 2019/20, SELEP continues to seek reassurance from Government of future LGF allocations and has requested the re-profiling of our LGF allocation from Government to increase the amount of LGF available in 2019/20, offset against a decrease in 2020/21. This will help align our LGF allocation from Government more closely with our forecast LGF spend profile.

- 5.6 In a scenario that a change to the LGF profile from Government is not feasible, Appendix 4 shows the impact of the funding gap on our spend profile. This analysis considers the expected difference between the forecast LGF spend in future years of the programme relative to the amount of LGF available. This is based on some assumptions about the level of LGF slippage which may occur from 2017/18 to 2018/19 and 2018/19 to 2019/20, and through spending local funding contributions in advance of LGF.
- 5.7 The analysis shows that through the spend of local funding contributions in advance of LGF and through the slippage of LGF between financial years (applying a conservative estimate), there is the potential to reduce the over-profiling in 2019/20 to £6.378m. However, this will add substantial pressure to the delivery of projects and LGF spend during 2020/21, as the final year of the LGF programme, and will add to the risk of LGF slippage beyond the Growth Deal programme.

6. Retained Schemes

- 6.1. There are currently six projects identified as retained schemes for which LGF is received by the SELEP Accountable Body directly from the DfT. Reporting on project progress and the spend of the LGF allocation is provided directly to the DfT for these projects, rather than through the Cities and Local Growth Unit Team, as is the case for all other LGF projects.
- 6.2. A substantial expected slippage has been identified for retained schemes from 2017/18 to future years of the programme as a result of the substantial spend slippage for the A13 widening scheme. The 2017/18 budget set out the planned spend of £28.544m on the project in 2017/18. However, the forecast spend in 2017/18 has now reduced substantially, as a result of the reduced spend forecast for the A13 widening project. A detailed project update is provided under Agenda Item 11.
- 6.3. The DfT has asked SELEP to accelerate spend of DfT retained funding on the project in advance of the remaining A13 widening development funding. The £5m A13 widening development funding was originally awarded by the Board in April 2015 to support the development of the project in advance of the Secretary of State for Transport approving the project in full. The spend of £2.292m LGF has slipped from 2016/17 to 2017/18 as a result of programme delays. To comply with the DfT's request, it is proposed that the A13 widening development funding will now be spent in 2018/19 to support the construction works for the project.
- 6.4. By accelerating the spend of retained DfT funding in advance of the A13 widening development funding this will increase the spend forecast for the A13 widening project to £12.629
- 6.5. Taking into account the updated spend forecast for the A13 widening project the total forecast has reduced from a total planned spend of £31.126m LGF to a updated spend forecast of £15.211m LGF in 2017/18.

7. Project Changes

- 7.1. In accordance with the SELEP Change Request Process a number of change requests have come forward for consideration by the Board. These include:
 - 7.1.1. Reallocation of £1.000m LGF underspend from A414 Harlow to Chelmsford to the Mercury Rising Project – considered under agenda item 8;
 - 7.1.2. Reallocation of £1.023m LGF from Ashford International Connectivity Project (Ashford Spurs) to Sandwich Rail Infrastructure – considered under agenda item 9; and
 - 7.1.3. Change of scope to the Southend Central Area Action Plan (non-transport)

Southend Central Area Action Plan - Non-Transport Project

- 7.2. Through LGF Round 1 the Southend Central Area Action Plan (non-transport) and was allocated £6.720m LGF, with the project being divided into two distinct phases.
- 7.3. The first phase of works was for the Southend Growth Point Project. This involved works, including the delivery of a new heating and ventilation system in the former central library, to support the more intensive use of the Gallery and Hive Enterprise Centre. The space has provide business space to help support sustainable start-up business and the growth of small businesses in Southend.
- 7.4. These Phase 1 works have now been fully completed, delivering flexible business accommodation for events, networking and training session for occupiers and local businesses. The Business Essex, Southend and Thurrock (BEST) Growth Hub team are also now located at the centre.
- 7.5. It was originally intended that the Phase 2 works would include the compulsory purchase and demolition of a derelict building along Victoria Avenue to enable the conversion of the land into new residential units. However, the public sector investment in the area to date has acted as a catalyst for the private sector developers, in partnership with a Housing Association, to bringing forward 280 units.
- 7.6. The impact of this private sector led development has not only had a positive impact on housing delivery in sustainable locations, but also negates the need for LGF investment to fund this second phase of development.
- 7.7. As such, it is Southend Borough Council's intention to bring forward a revised proposal for the allocation of the remaining £6m LGF on the Forum 2 Project. This change is subject to a Business Case being prepared for the Forum 2, which satisfies the ITE Business Case review process.
- 7.8. The Forum is the UK's first public-academic library and includes teaching space for both South Essex College and the University of Essex which has enabled their expansion. It is also home to Focal Point Gallery.

- 7.9. The Forum 2 project will deliver additional teaching space, cultural space and opportunities for businesses, students and academics to grow together focussed on the key sector of digital, cultural and creative industries.
- 7.10. The investment will support the digital, creative and cultural sector by delivering a 5,000m² building including: 700m² of commercial/teaching restaurant, 1600m² of FE/HE teaching space/performance studios, 400m² of gallery and associated space, 400m² of artists' studios/workshops alongside associated office/circulation and social/community spaces.
- 7.11. In addition to the proposed £6m LGF allocation, local funding contributions will also be made to the Project by Southend Borough Council (£10m) and South Essex College (£3m).
- 7.12. A Business Case is currently being developed for the Forum 2 project and is due to be considered by the Board in February 2018.

8. Deliverability and Risk Summary

- 8.1. Appendix 4 sets out the summary deliverability and risk position for each project, as summarised in Table 5 below. A Red-Amber-Green (RAG) risk rating has been identified for each LGF project, based on consideration of each project's:

- Public & stakeholder acceptability;
- Feasibility;
- Planning risk (securing of powers & consents);
- Certainty of total cost estimate;
- Affordability / certainty of local funding sources;
- Value for money risk; and
- Complexity / dependence / flexibility of scheme

Table 5 LGF project delivery risk and LGF spend risk

	Project Delivery Risk	LGF spend risk
Low	73	56
Medium	21	29
High	3	12
Total	97	97

- 6.1 Further detail is provided on some specific project risks for project RAG rated as Red for project delivery.

- **Beaulieu Park Railway Station** - The project has been RAG rated as red due to the substantial funding gap and the early stage of project development. The project is allocation £1.25m LGF in 2017/18, with a total LGF allocation of £12m. However, this funding cannot be spent until a potential funding route has been identified to bridge the current funding gap.

All local partners are committed to building the new station and the Great Eastern Taskforce, including senior representatives of all partners and DfT, met on the 10th October 2017 to exploring all options to bridge the funding gap before the project is able to progress to GRIP Stage 3. In addition, a Housing Infrastructure Fund has also been submitted by Essex County Council to DCLG to bridge the funding gap.

- **Thanet Parkway** - The project is allocated £4m LGF in 2017/18 and a further £6m in 2018/19. However the project is not yet in a position to draw down this funding owing to a substantial funding gap and need to identify a funding route to bridge the funding gap. As a result, this project is currently RAG rated red.

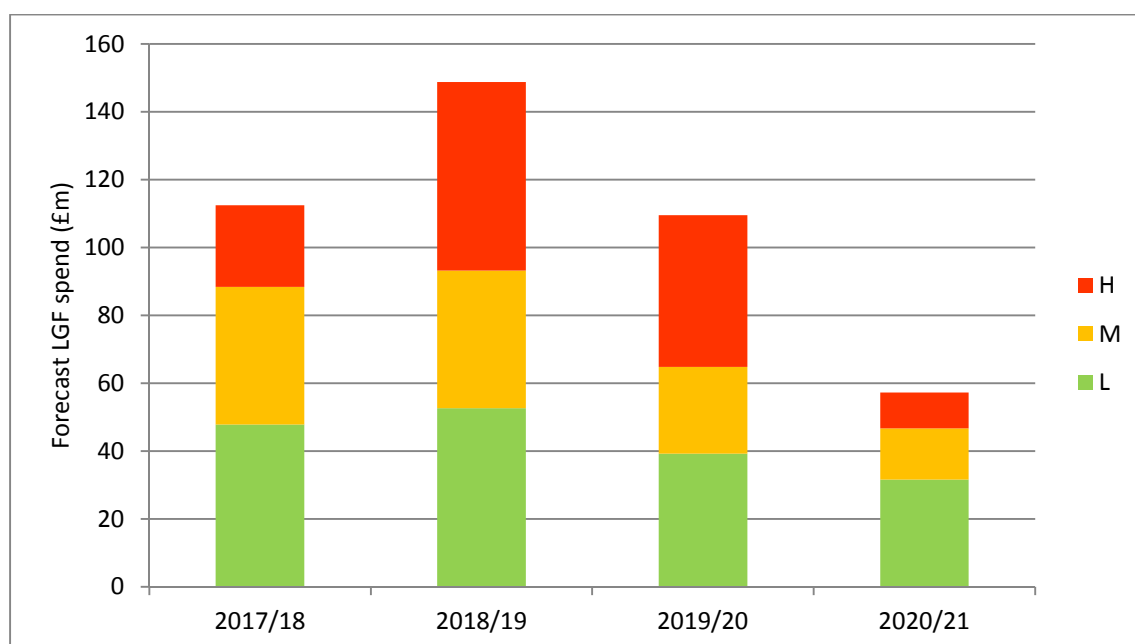
An £8.8m funding bid was submitted by Kent County Council for Network Rail's New Station Fund, but proved unsuccessful. A meeting has been held with senior officers from the DfT to consider all available funding opportunities and a funding strategy is currently being developed by Kent County Council.

Acting upon the advice of the DfT, Kent County Council is now engaging with the rail industry to discuss possible financing options for a new station. A Kent County Council Capital bid has also been submitted to underwrite the current £8.8m gap in funding for this project to allow the project to proceed until further negotiations with the rail industry can be held and/or contributions from developers can be secured.

- **Queensway Gateway Road:**

The Queensway Gateway Road scheme will deliver a new link road between Queensway and the A21. Construction works are underway for the first phase of the project. However, higher than expected tender returns have been provided for phase 2 works. In total, the project is allocated £6m LGF, but the cost of the project will now expected to exceed the allocated budget. A revised cost estimate is currently being prepared and a detailed update will be provided to the Board in Q4 2017/18 to detail the proposed mitigation measures.

Figure 2 LGF spend risk relative to planned LGF spend (£m) – including retained schemes



- 6.2 Figure 2 above sets out the LGF spend risk per annum. This LGF spend risk considers the certainty that the LGF allocation will be spent as profiled. The graph highlights potential for further LGF slippage from 2017/18 to 2018/19, which presents a substantial programme risk and highlights the risk of a high proportion of LGF slippage from 2017/18 to future years of the programme.
- 6.3 Given the high proportion of LGF spend RAG rated as amber and red and the substantial backloading of spend in Q4 2017/18, it seems sensible to identify and accelerate the delivery of LGF projects where feasible to do so. Local partners are asked to consider any further projects included in the Growth Deal programme, which could be accelerated in 2017/18. Any request to accelerate should not further increase the gaps against funding already identified in 2019/20 (as detailed in paragraphs 4.3 and 4.4 above).

7. LGF Programme Risks

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

7.1.1 Delivery of project outputs and outcomes

Risk: Local partners have made substantial progress towards the delivery of projects included within the Growth Deal programme, including the outputs identified in the Project Business Cases. However, Government continues to

seek evidence of the delivery of jobs and houses which SELEP committed to deliver within its Growth Deal with Government. Whilst this information has been sought through update reports from SELEP, evidence of jobs and housing delivery from local partners has not been forthcoming. This has a reputational risk for SELEP and the robustness of our case to Government for further funding.

Mitigation: Within the new Business Case templates, scheme promoters are required to re-state the expected jobs and houses which local partners commit to deliver through the Project. The S151 officer letter sign off of each Business Case includes a commitment for each local partner to allocate sufficient resource to the monitoring and evaluation of each LGF project.

The outputs delivered to date will be also be reported to each Strategic Board meeting to ensure clear oversight of project outcomes to date and oversight of the information reported back to Central Government.

7.1.2 Availability of LGF to align with project spend profiles

Risk: The availability of LGF during future years of the LGF programme does not match the forecast spend profile for LGF projects. As shown in Figure 1, the forecast LGF spend in 2019/20 exceeds the expected amount of LGF available in 2019/20.

Mitigation: To help ensure LGF allocations are available to align with project spend profiles, some funding may intentionally be carried between financial years to help manage the overall programme. The timing of LGF relative to local funding contributions to projects is also under review. Updates will be provided within the Capital Programme Update at each Board meeting to ensure that the planned LGF spend profile is considered in relation to the funding made available by Government.

In addition, the annual conversation with Central Government officials will be used as an opportunity to seek an amendment to profile for which LGF is made available to SELEP by Government. In particular, opportunities will be explored to bring forward LGF from 2020/21 to 2019/20.

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

Risk: The latest update report has identified a substantial backloading of LGF spend in Q4 2017/18, with a forecast spend of £54.888m in Q4 2017/18 relative to the revised total planned spend of £97.153m in 2017/18 (excluding retained schemes). This creates a substantial risk of LGF slippage from 2017/18 to future years of the programme. This is in addition to the slippage of £21.363m which has already been identified

Mitigation: Local partners are asked to accelerate LGF spend in 2017/18 where possible, such as through the acceleration of spend on LGF projects. In addition, partners are asked to put mitigation measures in place at a local level to ensure that LGF spend forecasts can be achieved. The acceleration of any

projects in 2017/18 (to utilise the expected slippage of LGF spend from 2017/18 to future years of the programme) will be managed to ensure that the acceleration of projects does not add to the gap between then LGF planned spend and LGF available for spend in 2019/20.

In addition, there will be clear communication with Government about the successful delivery of LGF projects to date and to need retain LGF slippage by SELEP to help manage the availability of LGF in 2018/19 and 2019/20.

7.1.4 Governments funding commitment to future years of the LGF Programme

Risk: Currently Government has only given a provisional funding allocation for future years of the LGF programme and the level of LGF to be received by SELEP has yet to be confirmed. In light of the upcoming general election and new Government, this increases the risk in relation to future year funding allocations to the Growth Deal.

Mitigation: SELEP continues to seek assurances and formal confirmation of SELEP's LGF allocation to future years of the programme. In addition, SELEP continuously works to ensure Government are made aware of the benefits brought about through LGF investment.

7.1.5 LGF spend profiles extending beyond the Growth Deal Projects

Risk: For certain LGF projects, particularly the larger scale and more complex projects, there is a risk of LGF spend slipping beyond the Growth Deal period. This risk is increased by the gap between the planned LGF spend and LGF available potentially leading to potential delays to the award of LGF to projects.

Mitigation: The potential slippage of LGF spend beyond the Growth Deal period is being considered on a project- by- project basis. Where funding awards have not yet been made by SELEP Accountability Board local partners will be asked to provide an update on the timescales for the Business Case to be developed for funding award and the expected project delivery programme to give assurance that the LGF can be fully spent by March 2021.

Where there are high risks to LGF spend before 2020/21, local partners are asked to work with their Federated Boards to develop alternative proposals for the spend of LGF allocations.

7.1.6 Total project cost escalation

Risk: For certain LGF projects included in our Growth Deal, the total cost estimate has increased since the original bid submission and provisional LGF allocation was awarded. Increases in total project costs may impact on our ability to deliver the projects and outcomes/outputs which SELEP committed to achieve through LGF investment. Escalations in project cost may also impact on the Value for Money case for projects included in our Growth Deal.

Mitigation: SELEP is now taking a proactive approach in monitoring the total cost of LGF projects. Any changes to the total cost of a project must be reported to the Board through the Change Request process to ensure that projects continue to demonstrate Value for Money. Where cost escalation occurs, it is expected that this increase in costs will be met by local partners, unless agreed with the Board otherwise.

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

Risk: A lack of resource within the delivery authorities, consultancies and contractors to support the development and construction of LGF projects may result in an increase in project cost estimates (as the tender costs are higher than originally forecast) and/or a delay to project programme for delivery. Organisational restructures may also lead to gaps in knowledge and resource to support programme delivery.

Mitigation: Opportunities are being sought for early engagement with the industry to raise awareness of the LGF programme and the pipeline of work coming forward. Assurances are also being sought through the S151 Officer letter which supports Business Case submissions to ensure that the delivery body has access to the skills, expertise and resource to support the delivery of the project.

8. Financial Implications (Accountable Body Comments)

- 8.1 Forecast spend again has reduced from the last report. As we move towards the final quarter of the year the opportunities to address the slippage through management of the programme decreases and it is now likely that a large underspend will remain at the end of the year.
- 8.2 We advise that the Secretariat make Government sponsors aware of the potential outturn position and work closely with the sponsoring Departments to ensure that their expectations for year-end is managed.
- 8.3 The slippage in year is in part driven by funding allocations made by Government based on both, information provided a number of years ago and the balancing of the national programme so it was always likely that funding mismatches would occur.
- 8.4 Concerns remain about the funding gap in 2019/20. Slippage of the programme goes some way to address this gap but this does have a knock-on effect of projects potentially not being completed by the stated end of the programme, 31st March 2021. Consideration to the impact of this should be made with partners and Government representatives.
- 8.5 It is noted that one of the recommendations from the review of LEP Governance and Transparency by Mary Ney is that “Government give some thought to what flexibility might be available to smooth funding allocations to LEPs over a longer period”. We very much support that recommendation and will be pushing Government for a response.

9. Legal Implications (Accountable Body Comments)

10. Staffing and other resource implications

- 10.1 None

11. Equality and Diversity implications

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

- 11.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 11.3 In the course of the development of the project business cases, the delivery of the project and their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

12. List of Appendices

- 12.1 Appendix 1 - Financial monitoring
- 12.2 Appendix 2 - Summary LGF spend profile
- 12.3 Appendix 3- Deliverability and Risk
- 12.4 Appendix 4 – Analysis of LGF spend forecast relative to LGF available

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 Suzanne Bennett On behalf of Margaret Lee	 09/11/17