

Report to Accountability Board	Forward Plan reference number: FP/AB/97
Date of Accountability Board Meeting:	26 th May 2017
Date of report:	7 th May 2017
Title of report:	Capital Programme Management of the Local Growth Fund
Report by	Rhiannon Mort, SELEP Capital Programme Manager
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1. Purpose of report

- 1.1 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 **Approve** the acceleration of LGF spend in 2017/18 for Technical and Professional Skills Centre at Stansted Airport by £600,000
- 2.1.4 **Approve** the updated spend profile for Basildon Integrated Transport Package, as set out in Table 2.
- 2.1.5 **Approve** the increase in LGF spend in 2017/18 for A28 Sturry Link Road by £43,000.
- 2.1.6 **Approve** the increase in LGF spend in 2017/18 for Thurrock Cycle Network by £15,000.

3. 2016/17 financial update

- 3.1 On the 31st March, the Board was presented with the final planned spend position for 2016/17 amounting to £76.932m excluding Department for Transport (DfT) 'retained' schemes, and £83.459m including retained schemes.
- 3.2 Furthermore, the Board was asked to approve the slippage of £19.078m LGF spend from 2016/17 to 2017/18 (excluding DfT retained schemes).
- 3.3 The latest updated reporting indicates that further slippage of LGF between 2016/17 and 2017/18 results in total slippage of £22.627m.

- 3.4 The total slippage takes into account the £25.097m variance between the planned spend and the revised provisional outturn total spend in 2016/17, as shown in Table 1 below, net of the £2.47m over-profiling in 2016/17 which was agreed by the Board at the outset of 2016/17.
- 3.5 This total amount of LGF slippage from 2016/17 to 2017/18 presents a slippage of 23.6% of the LGF available to spend in 2016/17. This is based on £96.009m LGF being available to spend in 2016/17 and a total LGF slippage from 2016/17 of £22.627m.
- 3.6 The additional £3.549m LGF slippage in 2016/17 which has been identified since the last Board meeting will be added to the respective projects' allocation in 2017/18, with the exception of Ashford International Rail Connectivity Project and A226 London Road/B255 St Clements Way.
- 3.7 For these two projects, spend of the additional slippage will be deferred until 2018/19, as sufficient LGF has been identified for these projects in their 2017/18 LGF allocation to meet planned spend during this financial year. This will reprofile a total of £513,000 LGF from 2016/17 to 2018/19 in relation to these projects (£471,000 Ashford International Rail Connectivity and £42,000 A226 London Road/ B255 St Clements Way).

Table 1 LGF spend in 2016/17 (£m)

	Total Planned Spend in 2016/17 (as at Q1 2016/17)	Total Provisional Actual Spend in 2016/17 (as reported in April 2017)	Variance *
East Sussex	17.547	9.506	-8.041
Essex	10.366	8.010	-2.356
Kent	34.670	26.622	-8.048
Medway	5.768	4.633	-1.135
Southend	5.102	4.902	-0.200
Thurrock	12.950	7.731	-5.219
<i>Skills</i>	12.077	11.980	-0.097
			0.000
LGF Sub-Total	98.480	73.383	-25.097
Retained	7.500	6.527	-0.973
Total Spend Forecast	105.980	79.910	-26.070

*Variance is the difference between the planned LGF spend in 2016/17 as at Q1 2016/17 and the forecast LGF spend in 2016/17 as reported in April 2017.

- 3.8 Local Authority Statements of Accounts are currently being prepared and each local authority is now required to provide a declaration of LGF spend in 2016/17. In turn SELEP will provide a final Statement of Grant Usage to Government by the 29th July.
- 3.9 The final LGF spend position will be reported to the Board at the next meeting in September 2017.

4. 2017/18 and future years LGF spend profile

- 4.1 SELEP's 2017/18 Grant Offer Letter has now been received and is attached in Appendix 3 of this report.
- 4.2 The Grant Offer Letter confirms SELEP's grant amount to be paid in 2017/18 and the provisional LGF allocation for future years of the Growth Deal.

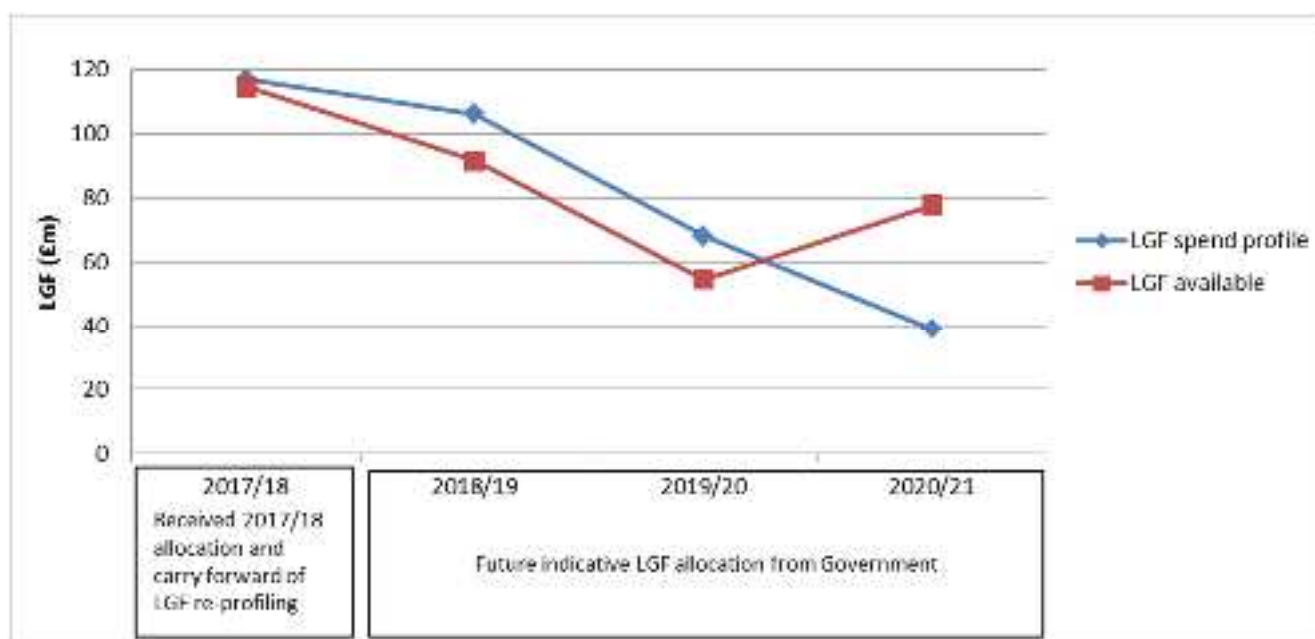
Table 2 LGF Allocation Indicative Profile from Government*

Confirmed allocation LGF (£)	Future Indicative LGF (£)		
2017/18	2018/19	2019/20	2020/21
92,088,396	91,738,956	54,914,715	77,873,075

*Excluding retained schemes

- The 2017/18 LGF funding allocation and indicative future years LGF allocation profile included in the Grant Offer Letter is marginally less than the provisional indicative profile which was presented to the Board at the last meeting.
- 4.3 The LGF allocation does include a portion of Round 3 funding from Government in 2017/18 which is welcome news, however, the forecast spend profile held by SELEP in 2017/18, 2018/19 and 2019/20 exceeds the LGF future indicative profile of funding from Government. Conversely, during the last year of the Growth Deal programme (2020/21), the LGF indicative allocation from Government exceeds the current LGF spend profile, as set out in Figure 1 below.
- 4.4 The expected gap in 2018/19 is £14.599m and in 2019/20 is £13.428m, based on the current LGF spend forecast held by SELEP. Through the duration of the Growth Deal there is sufficient funding allocated by Government to fund all LGF projects identified in the Growth Deal programme.

Figure 1 LGF spend profile relative to LGF available



- 4.5 It is expected that any 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.
- 4.6 Where the Board is asked to consider the accelerated start date of LGF projects, the impact of this decision on the LGF programme spend profile for future financial years will be taken into account.
- 4.7 In addition, opportunities will be sought to further mitigate this risk through working with local partners to identify projects where local funding contributions can be spent in advance of LGF and through delaying LGF spend on specific projects until 2020/21, prioritising those where this does not adversely impact on the project's delivery within the Growth Deal period.

5. 2017/18 spend forecast update

- 5.1 The LGF spend forecast for 2017/18, excluding retained schemes has been increased from £115.179m as reported to the Board in March 2017 to £116.988m, as shown in Table 3 below.
- 5.2 When including retained schemes, the planned LGF spend in 2017/18 has increased from £145.943m to £147.752m, as set out in Table 3.

Table 3 LGF spend forecast in 2017/18 (£m)

LGF (£m)			
	Total Planned Spend in 2017/18	Total Forecast Spend in 2017/18	Variance *
	(as reported in March 2017)	(as reported in April 2017)	
East Sussex	25.694	25.998	0.305
Essex	18.472	17.204	-1.268
Kent	29.050	31.785	2.735
Medway	12.294	12.296	0.002
Southend	12.640	12.640	0.000
Thurrock	8.650	8.669	0.019
<i>Skills</i>	0.080	0.096	0.016
<i>M20 Junction 10a</i>	8.300	8.300	0.000
LGF Sub-Total	115.179	116.988	1.810
Retained	30.764	30.764	
Total Spend Forecast	145.943	147.752	1.810

*Variation between the total planned spend in 2017/18 as reported in March 2017 and the total forecast LGF spend in 2017/18 as reported in April 2017.

- 5.3 This change to the forecast spend in 2017/18 has occurred as a result of the slippage of LGF spend from 2016/17 to 2017/18, the acceleration of spend for the Technical and Professional Skills Centre at Stansted Airport, the increase in LGF spend in 2017/18 for Sturry Link Road and Thurrock Cycle Network, the updated spend profile for Basildon Integrated Transport Package and minor amendments to the planned spend profile for the Skills Capital programme. These are considered in more detail below.

Technical and Professional Skills Centre

5.4 Following the submission of the Business Case for Technical and Professional Skills Centre at Stansted Airport (agenda item 7), updates to the project spend profiles have been identified.

5.5 The Board is asked to **approve** the acceleration of LGF spend in 2017/18 for Technical and Professional Skills Centre at Stansted Airport by £600,000

5.6 An acceleration of LGF spend for the Technical and Professional Skills Centre at Stansted Airport project by £600,000 is required to bring forward LGF spend on the project in advance of Essex County Council and local funding contributions to the project. In doing so, this will help to reduce the gap between the spend profile in 2018/19 and the amount of LGF expected to be available to spend.

Basildon Integrated Transport Package

5.7 The final version of the Basildon Integrated Transport Package Business Case brings forward an amended spend profile for the project for approval by the Board, as set out in Table 4 below.

Table 4 Basildon Integrated Transport Package Spend Profile

Basildon Integrated Transport Package Local Growth Fund allocation (£m)							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Original* LGF spend profile	1.546	0.000	1.868	1.868	1.868	1.850	9.000
Updated LGF spend profile	1.546	0.000	0.000	2.800	3.100	1.554	9.000

* Agreed in March 2017 as part of the 2017/17 planned budget

- 5.8 The revised spend profile for the project has been prepared as part of the Business Case submission and approval of Basildon Integrated Transport Package Tranche 2, as discussed under Agenda Item 8. The proposed delayed spend of LGF on the project reflects the revised works programme, which has been updated in light of delays experienced during the development of the Phase 2 Business Case.
- 5.9 The re-profiling of LGF spend for this project reduces the over-programming of LGF spend in 2017/18, but increases the difference between the total LGF programmed spend profile relative to the amount of LGF expected to be available in future years.
- 5.10 Whilst the approval of the updated spend profile increases this programme risk, awareness of the reduced LGF spend in 2017/18 at this stage is useful to enable LGF spend to be accelerated on other projects during 2017/18, as with the request for the Professional Skills Centre at Stansted Airport considered above.

A28 Sturry Link Road and Thurrock Cycle Network

- 5.11 The updated spend profile for A28 Sturry Link Road and Thurrock Cycle Network increases the LGF spend by £43,000 and £15,000 respectively. These relatively minor increases in LGF spend in 2017/18 will marginally increase the over-profiling in 2017/18, but do not present a substantial programme risk as these are more than offset by the re-profiling of the Basildon Integrated Transport Package requested above.
- 5.12 The Board is asked to **approve** the increase in LGF spend in 2017/18 for A28 Sturry Link Road by £43,000 and **approve** the increase in LGF spend in 2017/18 for Thurrock Cycle Network by £15,000.

Skills Capital

- 5.13 The updated spend profile for the skills capital programme takes into account the requested amendments to the Sussex Downs project allocation considered further in paragraph 6 below and delays in the purchase of equipment by two projects being delivered by Mid Kent College. The net impact of these changes was to increase the planned spend in 2017/18 by £16,000, approval for which has already been provided in the March report to the board on the Skills Capital Programme.
- 5.14 The net impact of all the changes considered above to the spend forecast in 2016/17 reduces the over-programming in the year to £2.274m, as shown in Table 5 below.

Table 5 Forecast LGF spend relative to LGF allocation in 2017/18 (excludes retained schemes)

	(£m)
LGF allocation in 2017/18	92.088
Funding swaps to local partner programmes - Option 4 mitigation	18.426
Option 5 carry forward	4.199
Total LGF available to spend in 2017/18	114.714
Total LGF forecast spend in 2017/18 (see table 3)	116.988
Total over- programming in 2017/18*	-2.274

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

- 5.15 As a result of the additional LGF slippage from 2016/17 to 2017/18 and the marginal decrease in the LGF allocation from Government in 2017/18, the total amount of LGF available to spend in 2017/18 amounts to £114.714m, as set out in Table 5 above.
- 5.16 As the total forecast spend on LGF in 2017/18 amounts to £116.988m, there is currently on over-profiling of LGF spend in 2017/18 of £2.274m, as set out in Table 5 below.
- 5.17 This does not present a substantial programme risk as slippage of LGF spend is likely to be identified during 2017/18 which will offset the £2.254m over-profiling.

6. Skills Capital Projects

- 6.1 The LGF programme includes the allocation of £22m to Capital Skills projects.
- 6.2 In total, 29 projects have been approved, with the final project, Sussex Downs College, being considered by the Board under agenda item 6.
- 6.3 As agreed with the Board in January 2017, Sussex Downs College have brought forward an additional proposal to utilise part of their £159,000 LGF under spend from their initial investment. The second phase of investment seeks £39,515 investment.

- 6.4 Taking into account the existing over-commitment of the overall skills LGF programme of £14,486, the outstanding balance for allocation to other projects will be £25,439
- 6.5 It is noted that the outstanding balance, given the relatively low value is considered for reallocation as part of the wider uncommitted LFG programme, the process for which is expected to be considered by the Board at a subsequent meeting.

7. Deliverability and Risk Summary

- 7.1 To date, 13 LGF projects have been completed. These include:
- Colchester LSTF
 - A414 Maldon to Chelmsford RBS
 - Colchester Broadband Infrastructure
 - Colchester Park and Ride
 - Folkestone Seafront : onsite infrastructure and engineering works
 - M20 Junction 4 Eastern Overbridge
 - Maidstone Gyratory
 - Southend and Rochford Joint Area Action Plan
 - Sovereign Harbour (aka Strategic Site Investment Package)
 - Swallow Business Park, Hailsham (A22/A27 Growth Corridor)
 - TGSE LSTF – Essex
 - TGSE LSTF – Southend
 - TGSE LSTF – Thurrock
- 7.2 In addition the first tranches of projects such as Southend Growth Hub Phase 1 and Tonbridge Town Centre Regeneration Phase 1 have also been completed.
- 7.3 A template is currently being developed to support the evaluation of projects post scheme completion. This template will be discussed at the officer Programme Consideration Meeting on the 21st June 2017 and the outcomes of project evaluation will be reported to the Board though subsequent meetings.
- 7.4 Table 6 below lists those projects which are due to be completed during 2017/18.

Table 6 Projects due to be completed during 2017/18			
	Project Update	Project Risk (RAG rating)	LGF Spend Risk (RAG rating)
East Sussex			
Newhaven Flood Defences *	On Track	L	L

Table 6 Projects due to be completed during 2017/18

	Project Update	Project Risk (RAG rating)	LGF Spend Risk (RAG rating)
Queensway Gateway Road	Construction works have started on site but project delays were experienced in 2016/17. £3.460m LGF spend forecast in 2017/18.	M	M
North Bexhill Access Road	Phase 1a is now substantively complete. Project delays in 2016/17. New planning application has been submitted for design change.	M	M
Coastal Communities Housing Interventions – Hastings	Change request to come forward to next Board meeting, but no substantial change to outputs are expected.	L	L
Essex			
Colchester Town Centre**	Completion of Lexdon Bus Road Improvements required. The rest of the scheme was completed in 2016/17.	L	M
A414 Pinch Point Package: A414 First Avenue & Cambridge Rd junction**	Delayed delivery from 2016/17. Four packages of works programmed to be completed by December 2017.	L	M
Chelmsford Station / Station Square / Mill Yard	Contractor on site but complex project and project delays experienced in 2016/17	M	M
Coastal Communities Housing Interventions – Jaywick	Agreement is required to transfer LGF to District Council.	L	L
Kent			
Tonbridge Town Centre Phase 2	Phase 1 complete and Phase 2 underway. LGF fully spent.	L	L
Middle Deal Transport Improvements	Planning permission granted and good progress being made on site, focussing on road development.	M	L
Sittingbourne Town Centre Regeneration	LGF fully spent, but third party delivery of the project ongoing.	M	L

Table 6 Projects due to be completed during 2017/18

	Project Update	Project Risk (RAG rating)	LGF Spend Risk (RAG rating)
Rathmore Road	Site works progressing as planned. Next phase is to complete phase 2 A of the works to the forecourt of the Station	L	L
Dover Western Docks Revival A20 Junction Improvements **	Legal agreement being implemented to commit the Port to the delivery of the Marina Pier works.	L	L
Maidstone Integrated Transport Package - Phase 1	The outline design for A274 Sutton Road scheme has been delayed but procurement route has now been agreed to reduce further delay to delivery.	M	M
Tunbridge Wells Junction Improvement Package	Phase 1 works completed. Business Case required for Phase 2.	L	M
Coastal Communities Housing Intervention Thanet	Funding agreement has been progressed to transfer LGF to District Council	L	L
Medway			
Chatham Town Centre Place-making and Public Realm Package	The detailed design for the route improvement scheme between the train station and the town centre is complete and a contractor has been appointed to deliver the works.	L	L
Medway Cycle Action Plan	A new route along the A289 has been constructed and improvement work on the existing route through Riverside Country Park has been completed. Design work is continuing on other routes in preparation for construction before the end of 2017/18.	L	L
Southend			
A127 Kent Elms Corner**	Project due to be completed in May 2017.	L	M

Table 6 Projects due to be completed during 2017/18

	Project Update	Project Risk (RAG rating)	LGF Spend Risk (RAG rating)
Southend Central Area Action Plan (Phase 1)	Near completion. £200,000 to be carried over to complete improvements to public realm and cycling facilities along Victoria Avenue service road in 2017/18	L	L
Thurrock			
Purfleet Centre**	Land acquisition continues.	L	H

* SELEP LGF contribution to be spent by March 2018, but with the delivery of other parts of the project to continue using other funding sources

** Delayed delivery from 2016/17

- 7.5 Appendix 4 sets out the summary deliverability and risk position for each project, as summarised in Table 7 below. This assessment excludes projects which have been fully completed.

Table 7 LGF project delivery risk and LGF spend risk

	Project Delivery Risk	LGF spend risk
Low	64	53
Medium	19	30
High	2	2
Total	85	85

- 7.6 The projects with a Red RAG rating for Project Risk are:

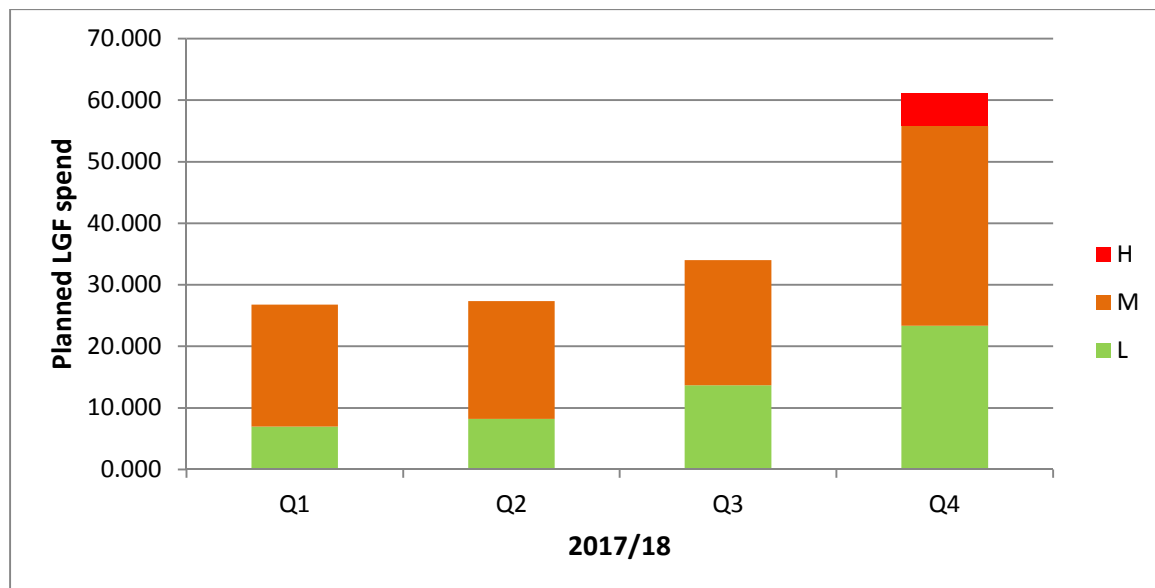
- **Beaulieu Park Railway Station** – The complex nature of this rail project and the early stage of the projects development presents risk to project delivery and creates uncertainty as to the total project cost. To address this uncertainty, project development work is currently being completed following Network Rail's Governance of Rail Investment Projects (GRIP) process. The completion of GRIP Stage 2 work will help provide greater assurances of project cost and deliverability.

- **Thanet Parkway** - This is a complex rail project with a funding shortfall. To address this shortfall a funding bid for Network Rail's New Stations Fund was submitted on 25 November 2016. The outcome of this funding bid has not yet been determined and the announcement by Government has been delayed due to Purdah. A funding strategy is currently being developed by Kent County Council to consider alternative funding sources should the bid to Network Rail prove unsuccessful.

7.7 Figure 2 below sets out the LGF spend risk per quarter for 2017/18. This LGF spend risk considers the certainty that the LGF allocation in 2017/18 will be spent during 2017/18. This gives consideration to project slippage during previous financial years and the underlying causes of this slippage.

7.8 Given the high proportion of LGF spend RAG rated as Amber, it seems sensible to identify and accelerate the delivery of LGF projects where feasible to do so. Local partners are asked to consider projects included in the Growth Deal programme, which could be accelerated. These projects will be considered at subsequent Board meetings, but any request to accelerate should not further increase the gaps against funding already identified in 2018/19 and 2019/20 (as detailed in paragraph 4.4 above).

Figure 2 LGF spend risk relative to planned LGF spend in 2017/18



8. LGF Programme Risks

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

8.1.1 *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.

8.1.2 *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.

8.1.3 *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.

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 will also be considered.

8.1.4 *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.

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.

8.1.5 Re-profiling of LGF spend

Risk: The re-profiling of £22.627m from 2016/17 may adversely affect SELEP's reputational risk and future year LGF allocations.

Mitigation: SELEP continues to work closely with officers in Government and stakeholders more widely to ensure that the benefits of LGF investment are being communicated. In addition, LGF Round 3 projects are being brought forward at pace to accelerate delivery where possible.

9. Financial Implications (Accountable Body Comments)

- 9.1 Slippage on projects has increased since the last report which while disappointing with regards to delivery, was not unexpected.
- 9.2 Given the relatively high levels of slippage in the last two financial years it is considered prudent that a level of over-programming is included in this and future year profiles. This needs to be managed, however, against the mismatch in funding and spend profiles across the next three financial years. Also any future requests for re-profiling of funding need to take this into account together with opportunities to utilise match funding sources, where possible, to bridge any gaps arising in the funding profile.
- 9.3 It is noted that future reports will incorporate further consideration of programme delivery alongside spend updates which will be welcomed, particularly with regard to supporting requests for re-profiling funding given the need to manage the impact of the mis-match in the profile of funding and spend in future years.
- 9.4 The Accountable Body will continue to work with the SELEP Secretariat to lobby Government for increased certainty with regard to the future LGF funding profiles.

10. Legal Implications (Accountable Body Comments)

- 10.1 There are no legal implications arising out of the recommendations set out in this report.

11. Staffing and other resource implications

- 11.1 None

12. Equality and Diversity implications

- 12.1 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.

- 12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 12.3 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.

13. List of Appendices

- 13.1 Appendix 1 - Financial monitoring
- 13.2 Appendix 2 - Summary LGF spend profile
- 13.3 Appendix 3 – Grant Offer Letter 2017/18 (Made available as Appendix 1 of Agenda Item 4).
- 13.4 Appendix 4 - Deliverability and Risk

14. List of Background Papers

- 14.1 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, Head of Finance On behalf of Margaret Lee	 19/05/17