

Report to Accountability Board	Forward Plan reference number: FP/AB/109
Date of Accountability Board Meeting:	22 nd September 2017
Date of report:	3 rd September 2017
Title of report:	Capital Programme Management of the Local Growth Fund
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1. Purpose of report

- 1.1 To 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 **Approve** the final 2016/17 LGF spend position
- 2.1.2 **Approve** the updated 2017/18 planned LGF budget for the spend of £122.816m for non-retained LGF projects and £31.126m for retained projects
- 2.1.3 **Note** the updated LGF spend forecast for 2017/18
- 2.1.4 **Note** the project delivery and risk assessment
- 2.1.5 **Agree** the slippage of LGF spend from 2017/18 to 2018/19 for the following projects:
 - 2.1.5.1 Tunbridge Wells A26 Cycle Improvements (£0.448m);
 - 2.1.5.2 A289 Four Elms Roundabout to Medway Tunnel Journey Time and Network Improvements (£1.855m);
 - 2.1.5.3 Strood Town Centre Journey Time and Accessibility Enhancements (£0.020m);
 - 2.1.5.4 Chatham Town Centre Place- Making and Public Realm Package (£0.800m);
 - 2.1.5.5 Medway City Estate Connectivity Improvement Measures (£0.039m)
 - 2.1.5.6 Rochester Airport Phase 1 (£1.464m);
 - 2.1.5.7 Rochester Airport Phase 2 (£0.150m); and
 - 2.1.5.8 London Southend Airport Business Park Phase 1 and Phase 2 (£6.081m)
- 2.1.6 **Agree** the acceleration of LGF spend in 2017/18 for Thurrock Cycle Network Project (£0.531m)
- 2.1.7 **Agree** the change to the Coastal Communities Housing Intervention Project in Hastings
- 2.1.8 **Note** the reallocation of £0.231m from Kent Sustainable Interventions Programme to Tonbridge Town Centre Regeneration

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 Following the end of the financial year each County Council/ Unitary Authority provided a Declaration of LGF Grant Usage detailing the exact amount of LGF spend, the mitigation of any LGF underspend and assurance that the LGF spend complied with the 2016/17 Grant Conditions and Service Level Agreements.
- 3.4 The Declaration of LGF Grant Usage has identified further LGF slippage of £7.438m (excluding retained schemes, £7.800m including retained scheme) between 2016/17 and 2017/18, resulting in total slippage of £26.516m excluding DfT retained schemes and £27.851m including DfT retained schemes.
- 3.5 The total slippage takes into account the £28.986m (excluding DfT retained schemes, £30.321m including DfT retained schemes) 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.

Table 1 Actual LGF Spend 2016/17 relative to planned LGF spend (£m)

Actual LGF Spend 2016/17 relative to planned LGF spend (£m)				
	Total Planned Spend in 2016/17 * (as at Q1 2016/17)	Total confirmed Spend 2016/17 (as reported through end of year declarations - June 2017)	Variance **	Variance* relative to planned spend (%)
East Sussex	17.547	9.506	-8.041	45.83%
Essex	10.366	8.615	-1.751	16.89%
Kent	34.671	26.640	-8.031	23.16%
Medway	5.772	4.629	-1.143	19.80%
Southend	5.102	4.034	-1.067	20.92%
Thurrock	13.181	4.324	-8.857	67.20%
Skills	12.077	11.980	-0.096	0.80%
M20 Junction 10a	0.000	0.000	0.000	0.00%
LGF Sub-Total	98.716	69.729	-28.986	29.36%
Retained	7.500	6.165	-1.335	17.80%
Total LGF Spend	106.216	75.894	-30.321	28.55%

*Includes the additional £2.3m Department for Transport Retained Funding transferred in relation to A127 Capacity Enhancements, Essex and unreported LGF carry forward (excluded Basildon ITP which reduced future year allocation)

** Difference between the planned LGF spend in 2016/17 and actual LGF spend in 2016/17.

Table 2 LGF spend relative to LGF allocation in 2016/17, excludes retained schemes (£m)

	(£m)
LGF allocation in 2016/17	82.270
Reported local partner carry forward 2015/16	12.660
Skills carry-forward from 2015/16	1.080
Unreported carry forward from 2015/16	0.236
Total LGF available to spend in 2016/17	96.245
Total LGF spend in 2016/17	69.729
Variance*	26.516

*Difference between the total LGF available to spend in 2016/17 and the total spend in 2016/17.

- 3.6 The total amount of LGF slippage from 2016/17 to 2017/18 presents a slippage of 27.6% relative to the LGF available to spend in 2016/17 (excluding retained schemes). This is based on £96.245m LGF being available to spend in 2016/17 and a total LGF slippage from 2016/17 of £26.516m.
- 3.7 The LGF slippage in spend during 2016/17 has incurred as a result of project delays such as the completion of utility works, land acquisition and planning delays.
- 3.8 The slippage of LGF underspend between 2016/17 to 2017/18 was managed by applying the five mitigation measures which have previously been agreed with the Board, as shown in Table 3 and Figure 1 below. The five mitigation measures include:
 - 3.8.1 **Option 1** -Bringing forward of planned future year LGF spend on schemes in the 2016/17 LGF programme;
 - 3.8.2 **Option 2** – Bringing forward of 2017/18 LGF schemes to spend in 2016/17;
 - 3.8.3 **Option 3** - Transfer of LGF spend on schemes between Partner authorities;

3.8.4 **Option 4** – Re-profiling of spend between LGF projects and Partners Authority Capital Programme projects; and

3.8.5 **Option 5** – Where slippage cannot be mitigated through Options 1-4, any LGF held by SELEP at the end of financial year is carried forward within SELEP's accounts

3.9 In addition, where LGF slippage was not identified until after the end of the financial year, this LGF (totalling £6.591m) was carried forward within local authority accounts for spend in 2017/18.

4. 2017/18 LGF spend update

4.1 The internal audit and assessment of LGF spend by local partners also identified some unreported and unmitigated LGF slippage from 2015/16 to 2016/17, as shown in Table 3 below. The net impact of this unreported LGF slippage has reduced the total LGF spend in 2015/16 by £368,854, from the previously reported total of £55.712m LGF to a revised total LGF spend in 2015/16 of £55.343m.

Table 3 Unreported LGF and carry forward from 2015/16 to future years

Unreported LGF spend and carry forward 2015				
Scheme	Unreported LGF spend	Unreported LGF carry forward	Impact on LGF carry forward from 2015/16 to future year	Comment
East Sussex				
North Bexhill Access Road		£220,000	£220,000	Increase in planned spend in 2017/18 by £220,000.
Essex				
Basildon Integrated Transport Package	£87,020		-£87,020	Future year spend reduced by £87,020. No impact on planned spend in 2016/17.
Kent				
Kent Thameside LSTF		£469	£469	Increase in planned spend in 2016/17 by £469.
Medway				
A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements		£201,897	£201,897	£200,000 unreported Option 2 swap with Medway City Estate Connectivity Plan. Remaining £1,897 carried forward, by Medway Council to be spent in 2016/17
Strood Town Centre Journey Time and Accessibility Enhancements		£344	£344	Increase in planned spend in 2016/17 by £344.
Chatham Town Centre Place-making and Public Realm Package		£754	£754	Increase in planned spend in 2016/17 by £754.
Medway Cycling Action Plan		£1,129	£1,129	Increase in planned spend in 2016/17 by £1,129
Medway City Estate Connectivity	£199,888.00		-£199,888.00	£200,000 Option 2 swap with A289 Four Elms. Remaining £112 carried forward by Medway Council to be spent in 2016/17
Overall impact on Medway Council planned spend	£199,888.00	£204,124.00	£4,236.00	Increase in planned spend in 2016/17 by £4,236
Thurrock				
TGSE LSFT - Thurrock		£231,169.00	£231,169.00	Increase in planned spend in 2016/17 by £231,169
Total	£286,908	£655,762	£368,854	

5. 2017/18 LGF update

- 5.1 On the 31st March 2017, the Board approved the 2017/18 LGF budget based on the £91.739m LGF allocation from Government and the planned £19.452m carry forward of LGF to 2017/18. The 2017 original budget set out a total planned spend of £115.179m, excluding retained schemes and £145.943m including retained schemes.
- 5.2 Since this time a further £7.638m slippage for non-retained schemes and £0.362m slippage for retained schemes has been identified as being necessary to carry-forward to 2017/18. This additional spend now should be included in the budget for

the year and the budget should be restated to total £122.816m for non-retained and £31.126m for retained schemes. The detail can be seen in Table 4 below

5.3 On the 9th August 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 SELEP Accountability Board; and
- Consider mitigation to be implemented to address project risks.

5.4 Each federated area has provided an updated spend forecast as shown in Appendix 3 & 4 and as summarised in Table 4 below.

Table 4 Updated LGF spend forecast 2017/18

LGF (£m)						Reasons for Variance		
	Original Planned Spend in 2017/18 (as reported in March 2017)	Additional LGF slippage from 2016/17 to 2017/18 *	Total Restated Planned spend 17/18**	Total Forecast Spend in 2017/18 (as reported in August 2017)	Variance *	Deferred LGF slippage	Changes to profile agreed at the last Board meeting (May 2017)	Changes to be agreed at this Board meeting
East Sussex	25.694	0.525	26.219	26.219	0.000			
Essex	18.472	-0.605	17.867	16.599	-1.268		-1.268	
Kent	29.050	3.186	32.236	31.318	-0.918	-0.513	0.043	-0.448
Medway	12.294	0.006	12.299	7.975	-4.324			-4.325
Southend	12.640	0.868	13.508	7.517	-5.991			-5.991
Thurrock	8.650	3.642	12.292	12.824	0.531			0.531
Skills	0.080	0.016	0.096	0.096	0.000			
M20 Junction 10a	8.300	0.000	8.300	8.300	0.000			
LGF Sub-Total	115.178	7.638	122.816	110.847	-11.970			
Retained	30.764	0.362	31.126	10.792	-20.334			-20.334
Total Spend Forecast	145.942	8.000	153.942	121.638	-32.304			

*Additional LGF slippage from 2016/17 to 2017/18 is the additional slippage which has been reported through the Declaration of LGF Grant Usage

** Total restated planned spend is the updated LGF budget 2017/18, including the additional slippage of LGF from 2016/17 to 2017/18 which has been identified since the end of the last financial year.

5.5 The total forecast LGF spend in 2017/18 now totals £110.847m, excluding LGF retained projects and £121.638m including LGF retained projects.

5.6 The variance between the LGF planned spend in March 2017 and the updated spend forecast as reported in August 2017 takes account of:

5.6.1 The adjusted planned spend includes the carry forward of LGF from 2016/17 and 2015/16 to 2017/18

- 5.6.2 The deferred slippage of £0.513m LGF for Ashford International Connectivity Project (£0.471m) and A226 London Road/B255 St Clements Way (£0.042m) from 2016/17 to 2018/19.
- 5.6.3 The removed £0.015m over-profiling of the Capital Skills Programme, as agreed at the last Board meeting on the 26th May 2017.
- 5.6.4 The amended spend profiles for the Technical and Professional Skills Centre, at Stansted Airport, Basildon Integrated Transport Package and the A28 Sturry Link Road Projects, which were agreed at the last Board meeting.
- 5.6.5 Updated spend forecasts for nine LGF projects as detailed in Table 5 below.

Table 5 Identified LGF slippages and acceleration (£m)

Project	Planned 2017/18 spend (as agreed in March 2017) + LGF carry forward from 2016/17.	Updated LGF spend forecast (as reported in August 2017)	Re-profiling from 2017/18 to 2018/19	Reason for Change	Board Decision
Tunbridge Wells A26 Cycle Improvements	£0.608	£0.160	-£0.448	The Business Case which has been identified for a funding decision in Agenda Item 5 of this meeting sets out an updated project programme and spend profile for the project. This identifies the slippage of £0.448m LGF from 2017/18 to 2018/19	The Board is asked to approve the slippage of £0.448m LGF from 2017/18 to 2018/19
A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements	£2.355	£0.500	-£1.855	The project has been substantially delayed due to the reduced private sector contribution to the project and the need to reassess project options. A full project update is provided in Appendix 1 of this report.	The Board is asked to approve the slippage of £1.855m LGF from 2017/18 to 2018/19
Strood Town Centre Journey Time and Accessibility Enhancements	£2.417	£2.397	-£0.020	Minor slippage of spend has been identified, but overall the project is progressing to programme and work is expected to start on site in January 2018.	The Board is asked to approve the slippage of £0.020m LGF from 2017/18 to 2018/19
Chatham Town Centre Place-making and Public Realm Package	£2.184	£1.384	-£0.800	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 LGF spend profile.	The Board is asked to approve the slippage of £0.800m LGF from 2017/18 to 2018/19
Medway City Estate Connectivity Improvement Measures	£0.099	£0.060	-£0.039	The Phase 2 project is interlinked with the larger scale A289 Four Elms scheme. As such, the delays to the A289 Four Elms project have resulted in delays to the Medway City Estates project development work.	The Board is asked to approve the slippage of £0.039m LGF from 2017/18 to 2018/19
Rochester Airport – Phase 1	£2.825	£1.361	-£1.464	The project has experienced substantial delays due to delayed programme for securing relevant planning consents.	The Board is asked to approve the slippage of £1.464m LGF from 2017/18 to 2018/19
Rochester Airport – Phase 2	£0.300	£0.150	-£0.150	The delays to the Phase 1 project has had an impact on the development of the Phase 2 project.	The Board is asked to approve the slippage of £0.150m LGF from 2017/18 to 2018/19
London Southend Airport Business Park (Phase 1 and Phase 2).	£11.274	£5.283	-£5.991	The project spend profile has changes substantially since the original submission as part of the LGF Round 3 bid, due to the time between the original bid submission and relevant approvals being in place for LGF spend. The revised Business Case sets out an amended project profile for the project and the project is considered in further detail under Agenda Item 9.	The Board is asked to approve the slippage of £5.991m LGF from 2017/18 to 2018/19
Thurrock Cycle Network	£2.589	£3.120	£0.531	The latest spend profile submitted by Thurrock Council identifies the acceleration of LGF spend by £0.531m in 2017/18.	The Board is asked to approve the increase in LGF spend in 2017/18 by £0.531

- 5.7 The additional LGF slippage from 2016/17 to 2017/18 has increased the planned spend in 2017/18, but slippage of LGF spend has already been identified in 2017/18.
- 5.8 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 £7.890m LGF from 2017/18 to 2018/19, as set out in Table 6 below.

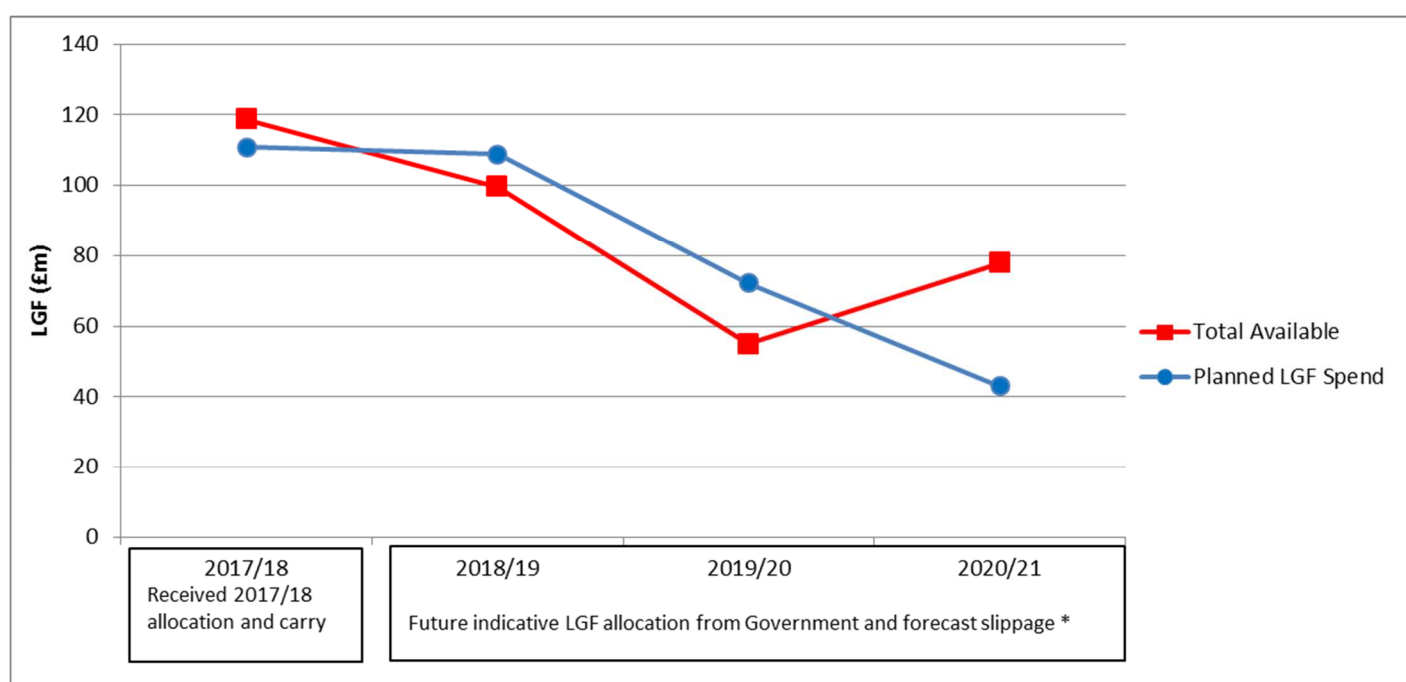
Table 6 LGF spend relative to LGF allocation in 2017/18, excludes retained schemes (£m)

	(£m)
LGF allocation in 2017/18	92.088
Carry forward from 2015/16 and 2016/17 to 2017/18	26.648
Total LGF available to spend in 2017/18	118.737
Total LGF revised planned spend in 2017/18	110.847
Variance*	7.890

*Difference between the total LGF available to spend in 2017/18 and the total revised planned spend in 2017/18.

- 5.9 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

- 5.10 Figure 1 shows that the amount of LGF available in 2017/18 now exceeds the planned spend. 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 exceeds the LGF expected to be available, whilst in 2020/21 the amount of LGF available exceeds the planned spend.
- 5.11 Where the Board is asked to consider the acceleration of LGF projects start date, the impact of this decision on the LGF programme spend profile for future financial years will be considered and raised to the Board attention to support decision making.

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 underspend has been identified for retained schemes from 2017/18 to future years of the programme as a result of the £20.334m slippage for the A13 widening scheme. The 2017/18 budget set out the planned spend of £31.126m on the project in 2017/18. However, the forecast spend in 2017/18 has now reduced substantially to £10.792m, as a result of the reduced spend forecast for the A13 widening project.

- 6.3. Further to the ministerial decision in April 2017 to approve the A13 widening project, the construction works contractor and detailed design consultants have been appointed and are reviewing the programme and expenditure profile. A meeting is being organised with the DfT to discuss the potential underspend. A more detailed project update will be provided to the Board once the contractors have confirmed the updated spend profile and delivery timescales for the project. Further details on the risk associated with this project can be found at section 7.4 below.

7. Skills Capital Programme

- 7.1. The original Skills Capital Programme £22m allocation has been awarded to a total of 30 skills projects.
- 7.2. As of August 2017, all projects have spent their LGF allocations and therefore the next stage will be monitoring delivery and outcomes to the Board, Central Government and Local Partners. As has been previously reported to the Board, indicative figures illustrate that there will be a delivery of an additional 15,000 full-time qualifications and 7,300 additional apprenticeships. Approximately 21,527m² of new and improved learning and training floor space and facilities will be in place.
- 7.3. A Skills Showcase event was held by SELEP on the 7th July 2017 to provide examples of the benefits which have been achieved through the delivery of LGF Skills projects to date. A copy of the Skills brochure, detailing all the projects which have been delivered through the LGF programme, is made available as a background document to this report.

8. Project Changes

Coastal Communities Housing Intervention St Leonards, Hastings

- 8.1. In accordance the process for managing LGF Project Changes, a Change Request has been submitted by East Sussex County Council for the Coastal Communities Housing Intervention Project in St Leonards, Hastings which details a minor change to the project from that described in the Business Case developed as part of the funding decision for the project.
- 8.2. The Coastal Communities Housing Intervention Project was awarded £2m LGF on the 24th February 2017, with different interventions being delivered in three different locations; Thanet, Jaywick and Hastings. Each location receiving an equal proportion of the LGF award (£0.666m). The Project Business Case considered the merit of the different interventions to be delivered at each of the geographical locations and considered the overall impact of the project.
- 8.3. The section of the Business Case relating to the intervention to be delivered in St Leonards detailed the acquisition of a specific property in the area to be converted into 17 new affordable homes.
- 8.4. A Change Request has been submitted for the intervention in St Leonards, which explains that the project promoters are now looking to acquire an alternative property due to a fire at the original property identified. The alternative proposal will only have

a minor impact on the outputs and outcomes of the project, as the newly identified property will be converted into 16 one and two bedroom units. SELEP Secretariat has not requested the review of the Business Case as the impact of the project change on the projects Value for Money is expected to be reliable. The strategic case for delivering the intervention remains unchanged.

- 8.5. The acquisition of the alternative property by negotiation rather than Compulsory Purchase Order (CPO) improves the deliverability of the project and it is still expected that the LGF allocation to the St Leonard's project will be spent in 2017/18, subject to the Board agreeing the proposed change of scope.

Reallocation of funding from Kent Sustainable Interventions Project to Tonbridge Town Centre Regeneration

- 8.6. On the 24th February 2017, the Board were asked to note the increased LGF allocation to Tonbridge Town Centre Regeneration project, by £103,000, as a re-allocation from Kent Sustainable Interventions Project (KSIP). The updated spend position for 2016/17 shows that the reallocation of funding from KSIP to Tonbridge Town Centre has increased to £231,269. This is in addition to the £41,145 reallocation of LGF from KSIP to Folkestone Seafront: onsite infrastructure and engineering works.
- 8.7. As the reallocation is below the 10% threshold for Board approval being requires, the Board is asked to note the allocation from KSIP.
- 8.8. The increase in scheme cost for the Tonbridge Town Centre Project has occurred as a result of an increase in project scope. The additional LGF allocation to the project will enable further improvements to be delivered through cycle improvements to the A21 Pembury Road and will not adversely impact on the outputs and outcomes to be delivered through the Kent Sustainable Interventions Project.

9. Deliverability and Risk Summary

- 9.1 At the SELEP Programme Consideration Meeting on the 21st June 2017 a workshop session was held to encourage the sharing of lessons between officers across SELEP on the delivery of LGF projects to date. Presentations were given by Project Managers from Kent County Council and Essex County Council to share their experience of the delivery of LGF projects to date and to provide advice to other areas based on their experience of delivering LGF projects. This provided a useful exercise to helping officers consider project delivery mechanisms, such as through sharing information about contract arrangements, the drafting of legal agreements and the planning of utility works to enable the delivery of projects.
- 9.2 In addition, information is currently being sought from local partners about the spend to date and planned spend of local contributions on LGF project to enable the review of expected project cost estimated relative to actual project delivery cost. This will support positive reporting back to Government about the effective delivery of our

LGF programme and the high value for money achieved through LGF investment in our local priorities.

9.3 Appendix 5 sets out the summary deliverability and risk position for each project, as summarised in Table 8 below. A Red-Amber-Green (RAG) risk rating has been identified for each LGF project, based on consideration of each projects:

- 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 7 LGF project delivery risk and LGF spend risk

	Project Delivery Risk	LGF spend risk
Low	73	59
Medium	19	33
High	3	3
Total	95	95

9.4 Further detail is provided on some specific project risks below.

- **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. However, this funding will not 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 has agreed to hold a strategic discussion with senior representatives of all partners and DfT to exploring all options to bridge the funding gap before progressing with GRIP Stage 3 and looking to draw down the LGF funding.

One potential funding option is for the submission of the project as a Housing Infrastructure Fund bid to the Department for Communities and Local Government. A detailed updated on potential funding routes will be provided to the Board following the stakeholder meeting.

- **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 £8m funding bid was submitted by Kent County Council for Network Rail's New Station Fund, but proved unsuccessful. A meeting has been organised with senior officers from the DfT to consider all available funding opportunities and a funding strategy is currently being developed by Kent County Council. A report will be provided to the Board at the next meeting to share feedback from the meeting with DfT and to set out the next steps for the project.

- **A13 Widening:** The project was approved in April 2017 by Secretary of State but the project has experienced delays through the business case development and DfT approval stage of the project. Detailed design and construction contractors have now been appointed and works are expected to start on site in November 2017. Consultants are currently preparing a detailed updated works programme and funding profile for the project which will be made available to the Board at the next meeting.

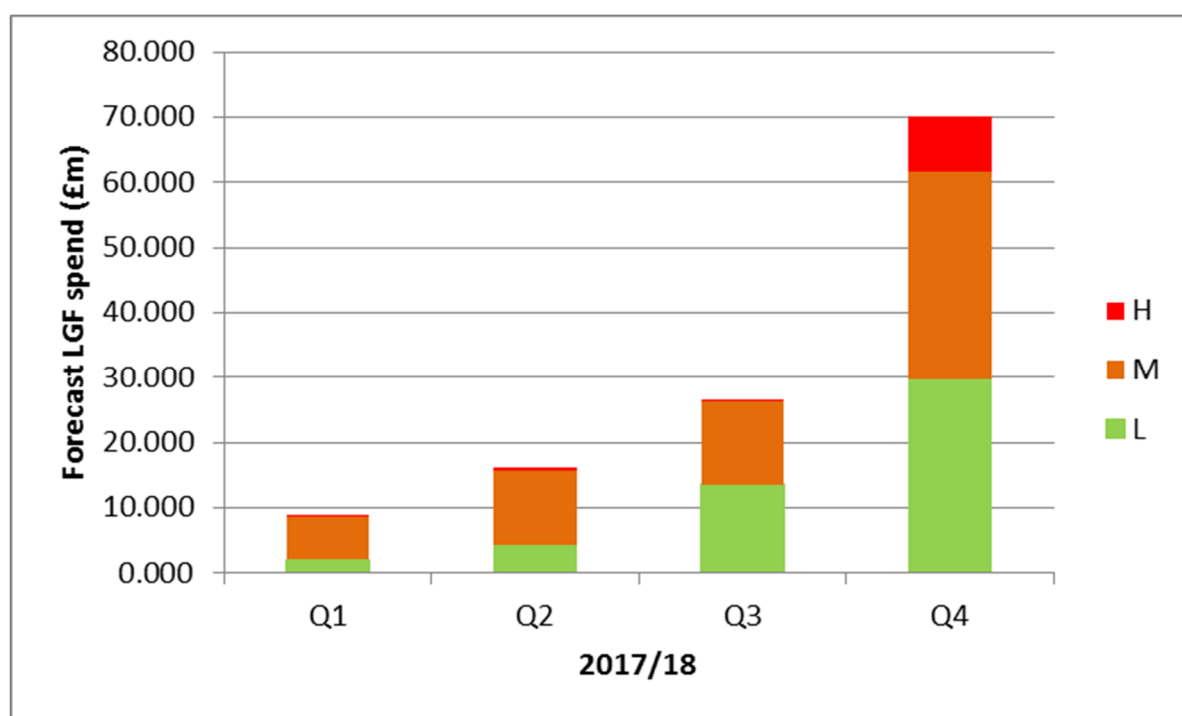
An initial programme has been completed which has identified the potential for a £20.334m slippage of LGF spend from 2017/18 to future years of the programme, from a planned spend of £28.544m LGF to a forecast spend of £8.210m LGF in 2017/18. The DfT has been made aware of the expected slippage of LGF spend on this DfT retained project and a meeting is being scheduled to discuss potential mitigation options. A further update will be provided to the Board at the next meeting.

A289 Four Elms Medway Tunnel Journey Times and Network Improvements:

This project has been RAG rated as amber due to the delivery risk created due to match funding no longer being available and an alternative project proposal being required to tackle congestion at this junction. A detailed update is provided in Appendix 1.

Rochester Airport Technology Park: A project update is provided in Appendix 2.

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



9.5 Figure 2 above 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. It also highlights the substantial LGF spend planned in 2017/18. This 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.

9.6 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 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 2019/20 (as detailed in paragraph 5.9 above).

10. LGF Programme Risks

10.1 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.

10.1.1 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 will also be considered. This will include the reporting on the spend of local contributions alongside LGF spend, to future Board meetings. 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 2018/19.

10.1.2 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 £70.189m in Q4 2017/18 relative to the revised total planned spend of £121.328m in 2017/18. This creates a substantial risk of LGF slippage from 2017/18 to future years of the programme, particularly as the result of the high proportion of spend in 2017/18 Q4 being Amber and Red RAG rated.

In addition, a slippage of £7.890m 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 2018/19 and 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.

10.1.3 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.

10.1.4 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.

10.1.5 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.

10.1.6 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.

11. Financial Implications (Accountable Body Comments)

- 11.1 Further slippage has occurred since the previous report for both this and the previous financial year. In addition, underspend for the 2015/16 financial year has only just been declared by some partners, which is concerning. All partners are reminded of their responsibilities under the SLA to ensure accurate and timely reporting and the Accountable Body will continue to work with the SELEP Secretariat to further strengthen the reporting requirements so that information collated can be assured to be robust.
- 11.2 Given the higher level of slippage against profiled spend, it is again advised that serious consideration is given to bringing forward projects wherever possible; although this must be balanced against the identified funding gaps in future years, especially that in 2019/20.
- 11.3 There should be serious consideration given to the increasing gap in 2019/20. Active management of projects now will ensure both that the position doesn't worsen and will begin to address the gap. Project sponsors should be asked to consider the application of differing funding streams and whether project delivery or payments can be structured differently so that the requirement for LGF in that year is reduced whilst delivery is not endangered.
- 11.4 The Board should note the large underspend this year on the A13 Widening Project. This is a large project and it is recommended that a delivery update is provided to each Board meeting. In addition, as a retained project, DfT may require underspends to be repaid. The Accountable Body will be represented at the meeting with the DfT to discuss the project.
- 11.5 The Accountable Body will continue to lobby Government with the SELEP Secretariat for increased certainty in the LGF future year profiling and for a more equalised profile to address the issues with the 2019/20 gap.

12. Legal Implications (Accountable Body Comments)

- 12.1 There are no legal implications arising from the recommendations within this report.

13. Staffing and other resource implications

- 13.1 None

14. Equality and Diversity implications

- 14.1 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.
- 14.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 14.3 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 where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

15. List of Appendices

- 15.1 Appendix 1 - A289 Four Elms Medway Tunnel Journey Times and Network Improvements Update Report
- 15.2 Appendix 2 - Rochester Airport Technology Park Update Report – To be circulated separately
- 15.3 Appendix 3 - Financial monitoring
- 15.4 Appendix 4 - Summary LGF spend profile
- 15.5 Appendix 5 – Deliverability and Risk

16. List of Background Papers

- 16.1 Business Case for the Coastal Communities Housing Intervention
- 16.2 SELEP Capital Skills Project Brochure

(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

14.09.2017

On behalf of Margaret Lee