
Local Growth Fund Lessons Learnt Report

June 2021



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Purpose of Report

The purpose of this report is to provide a reflection on the lessons learnt through the delivery of the 'Growth Deal' Local Growth Fund (LGF) programme between April 2015 and March 2021. The report reflects on the governance of the programme, delivery of projects and the impact of the LGF funding in supporting the growth of the South East economy since the inception of the programme.

The report sets out lessons that can be applied to the delivery of LGF projects which are still in train, ongoing SELEP capital programmes, such as the Getting Building Fund and Growing Places Fund programmes, and future capital investments across the area.

As part of the funding requirements from the Ministry of Housing Communities and Local Government (MHCLG), SELEP is required to evaluate the impact of the LGF programme, in line with the requirements of the national monitoring and evaluation framework.

The content of this report has been produced using information from the LGF update returns provided by local partners each quarter, the project monitoring and evaluation returns completed to date and through discussions with local partners.

The report presents an initial view on the impact of the programme. This could be supported by further work, as individual projects are completed, and evaluation reports are completed for the individual projects included within the programme. An action plan could be developed once learning points have been agreed. This action plan would provide the opportunity to build on this document as additional insights are gained through the ongoing monitoring and evaluation of projects post completion. The production of an action plan is on hold pending further clarity on the future role of LEPs and the availability of resource in future years.

The report will be made publicly available. The initial findings of the report will be presented to both the SELEP Strategic Board and Accountability Board, for comment and incorporation of Board member views.

Summary of Learning Points

This report contains a number of learning points which could be applied to the delivery of LGF projects which are still in train, ongoing SELEP capital programmes, such as the Getting Building Fund and Growing Places Fund programmes, and future capital investments across the area. These learning points are summarised below:

Theme	Ref	Learning Point
Governance	1	There is an opportunity to present more detailed information to the Strategic Board to support their oversight of the capital programmes and to support the Strategic Board in fulfilling its role in ensuring the delivery of the Growth Deal.
	2	Where a prioritised project which has not yet received funding approval is significantly delayed, with an agreed definition of significant, Strategic Board will be asked to consider whether they still prioritise the project ahead of others in the pipeline.
	3	Any future funding calls should seek investment proposals which directly support the strategic priorities outlined within the Recovery and Renewal Strategy. This could include processes to seek specific types of investment projects to address the challenges identified for the SELEP area within the strategy.
	4	In developing the eligibility and prioritisation criteria for future funding rounds, SELEP may want to consider adding in minimum requirements for supporting net zero carbon and maximising social value.
	5	Refocus the scope of the ITE assessment and use the lessons learnt from the delivery of LGF projects to provide greater challenge of the information contained within the business case, such as project programme and cost breakdowns.
	6	For future funding programmes, consideration could be given to implementing a more structured gate process which allows initial funding to be released to support project development, enabling production of a more detailed Business Case, which provides greater certainty of delivery and realisation of benefits, to secure the release of the remaining funding allocated to the project. This approach would allow development of higher risk projects to progress, whilst managing the level of funding risk faced by the local partner.
	7	Firm confirmation of the grant is required from MHCLG at the outset of the programme to reduce the financial risk to local authorities, businesses and other organisations due to receive grant funding through SELEP. Additional lobbying on this issue to Central Government at the outset of funding programmes is of paramount importance and SELEP should use the influence of partners and stakeholders to assist in securing multi-year settlements.
	8	For future funding programmes, the monitoring and evaluation requirements should be clearly defined at the outset of the programme including a standardised approach to measuring benefits realised, with a M&E plan and baseline plan in place before the project commences. Sufficient revenue budget also needs to be identified to support the ongoing monitoring and evaluation costs associated with projects, particularly following the completion of the project.
	9	For future funding rounds, a clause could be included within the Service Level Agreement between SELEP and local partners which provides the provision for clawback of the funding if the project is not delivered in full and the post scheme

		evaluation report submitted. This would provide the incentive to complete a thorough evaluation report to the required timescales and ensure that the original scope of the project has been achieved.
<i>Delivery of project outputs</i>	10	Seek greater assurances from Central Government over future capital funding streams to enable longer term planning of local infrastructure investment.
	11	<p>The resource requirement for promoting authorities delivering capital projects needs to be fully understood and costed. Appropriate contingency and inflation costs need to be considered within project cost estimates to account for construction cost increases and appropriate project management costs.</p> <p>Scheme promoters need to ensure that adequate resource and expertise is available across the organisation or available from third party organisations to support the delivery of the project.</p> <p>Further lobbying of Central Government on the impact of delays by other governmental organisations, such as Network Rail and Highways England, should continue. This could include the calculation of financial impact of delays</p>

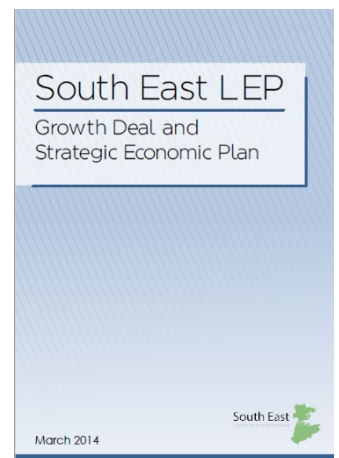
Introduction to Programme

Background

The LGF programme was established in response to Lord Heseltine's 'No Stone Unturned: In Pursuit of Growth'. The report recommended that Central Government should identify the budgets administered by different departments which support growth. These should be brought together into a single funding pot for local areas, without ring fencing of the funding by Central Government departments. A Single Local Growth Fund (LGF) was established with a value of £2billion per year from 2015/16 to 2020/21, and which drew from existing skills, housing and transport budgets.

Local Enterprise Partnerships were tasked with developing Strategic Economic Plans (SEPs) which were used as the basis to negotiate "Growth Deals" between Central Government and each LEP. The Growth Deals set out the allocation of LGF to LEP and the expectations on LEPs in return for this investment.

SELEP's Strategic Economic Plan (SEP), submitted in 2014, set out the ambition for the SELEP area and included a list of projects seeking capital investment to support the growth of the South East economy. Within the SEP, SELEP sought a total of £1.2bn LGF from Government, equating to £200m a year. The SEP set out the ambition to create 200,000 sustainable private sector jobs by 2021, an increase of 11.4% from 2011, and to complete 100,000 new homes by 2021. This would mean a 50% increase in the annual rate of housing completions relative to the position prior to 2014.

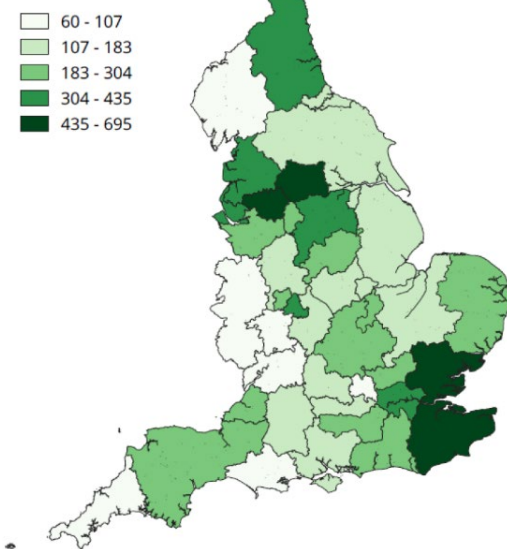


SELEP was awarded a total of £578.9m LGF through three Growth Deals with Government, to be invested in a programme of activities across East Sussex, Essex, Kent, Medway, Southend and Thurrock between April 2015 and March 2021. The LGF allocation to SELEP was the second largest of all LEPs in the Country, with only Leeds City Region receiving a higher allocation.

The programme involves a range of interventions including:

- transport infrastructure;
- town centre regeneration;
- capital skills;
- flood defence;
- commercial space; and
- business investment.

Total Growth Deal funding by LEP (£ millions)



SELEP Funding allocation

The original Growth Deal, announced in 2014, identified 37 projects to be supported through LGF investment. In exchange for the commitment of £442.1m funding by Central Government, it was expected that this investment would create at least 35,000 jobs and allow 18,000 homes to be built. The initial £442.1m funding mentioned in the first Growth Deal with Central Government did, however, include the transfer of funding for other existing programmes outside of the remit of the LGF programme and therefore not included in the overall £578.9m LGF programme value.

In 2016, a £46.1m Growth Deal expansion was announced. This increased the number of LGF projects by 13 to 50 and increased the expected outputs to an estimated 45,000 new jobs and 23,000 new homes.

In a third and final tranche of LGF allocated by Central Government, SELEP secured a further £102.7m LGF for a further 19 projects. In total, through the three Growth Deals, SELEP secured a total of £578.9m LGF. This funding was transferred to SELEP as per the breakdown shown in Table 1.

Table 1 – Funding received from Central Government (£m)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Expected in future years*	Total
MHCLG	69.5	82.3	92.1	91.7	54.9	77.9		468.3
DfT	1.5	7.5	29.7	3.5	47.8	7.1	13.5	110.6
Total	71.0	89.8	121.8	95.2	102.7	85.0	13.5	578.9

*This funding is ringfenced for the A127 Fairglen junction improvements, subject to approval by Secretary of State for Transport.

The LGF comes from two different departments within Central Government: MHCLG and DfT. A total of £468.3m LGF has been transferred by MHCLG to the SELEP Accountable Body. This funding has been received on an annual basis, as per the breakdown in Table 1. There are also six Department for Transport (DfT) retained projects, located along the A127 & A13 corridor. Due to the combined value of the interventions along the A127 and A13 corridor of £110.6m LGF, the DfT has retained a greater degree of oversight for these projects. The business cases for the A13 widening and A127 Fairglen Interchange were subject to DfT review and funding approval by the Secretary of State for Transport.

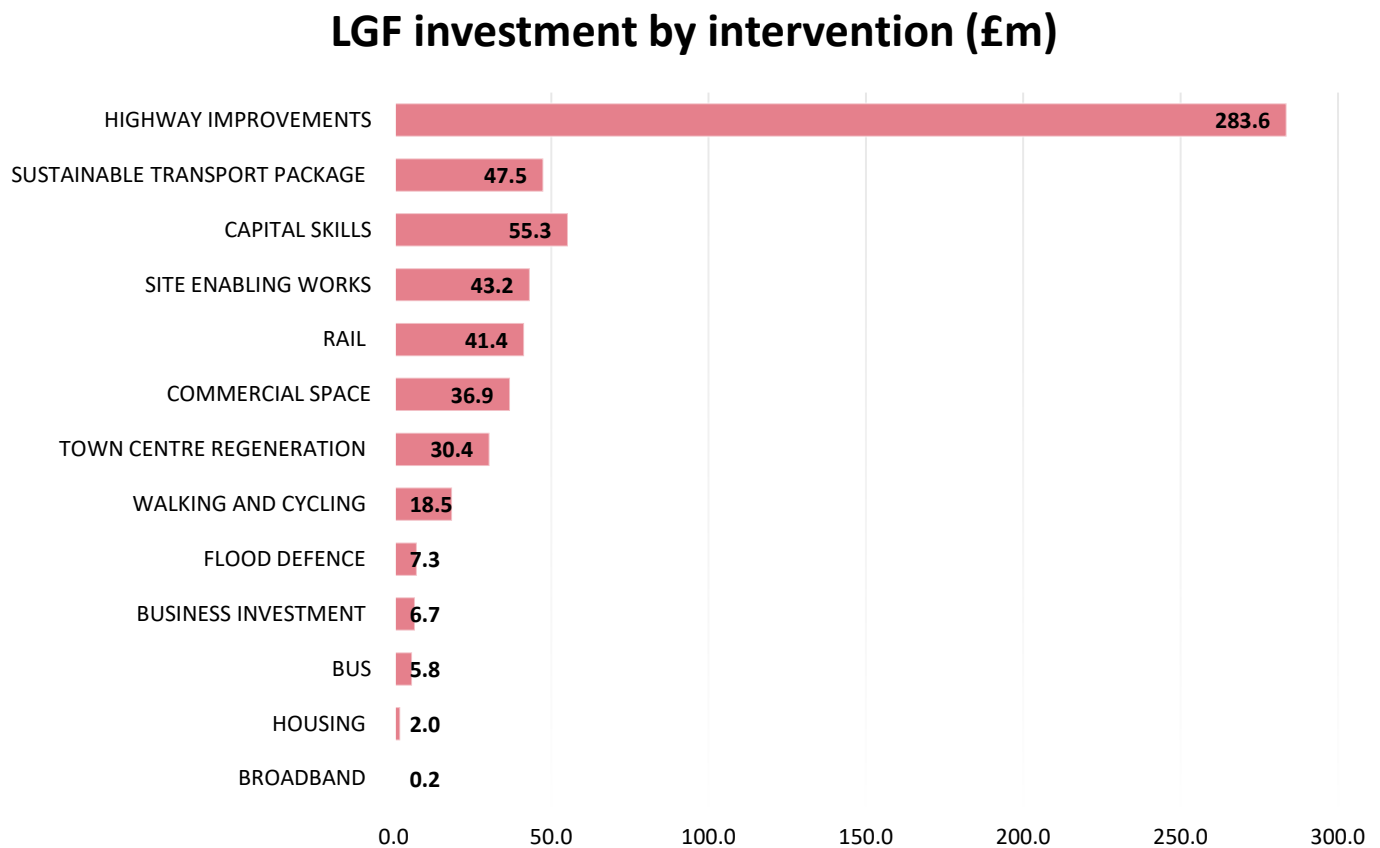
During the programme a number of project changes have been agreed. Where projects identified within the 'Growth Deal' have been unable to proceed this funding has been reinvested in alternative investments. On the 31 March 2021, there were 110 projects included within the LGF programme, which fully allocates the £578.9m LGF.

How LGF has been invested

The majority of LGF has been invested in transport projects: specifically, projects categorised as highway improvements, which make up 50% of SELEP's overall LGF investment programme. It is somewhat unsurprising that investment in transport forms a large proportion of the overall programme as approximately £5 billion of the national £12 billion LGF pot was created with funds previously awarded by the Department for Transport. At the outset of the LGF programme, LGF became the main source of funding for new local transport projects.

Only a very small proportion of the LGF has been spent on digital connectivity, at £0.2m (0.003% of the overall programme value). This is likely to be due to digital connectivity being of lower priority at the time of projects being identified for LGF investment, between 2014/15 and 2019/20. Investment in digital connectivity is now recognised as a priority for the SELEP area within the SELEP Economic Recovery and Renewal Strategy and has become more of a focus of the SELEP Getting Building Fund programme.

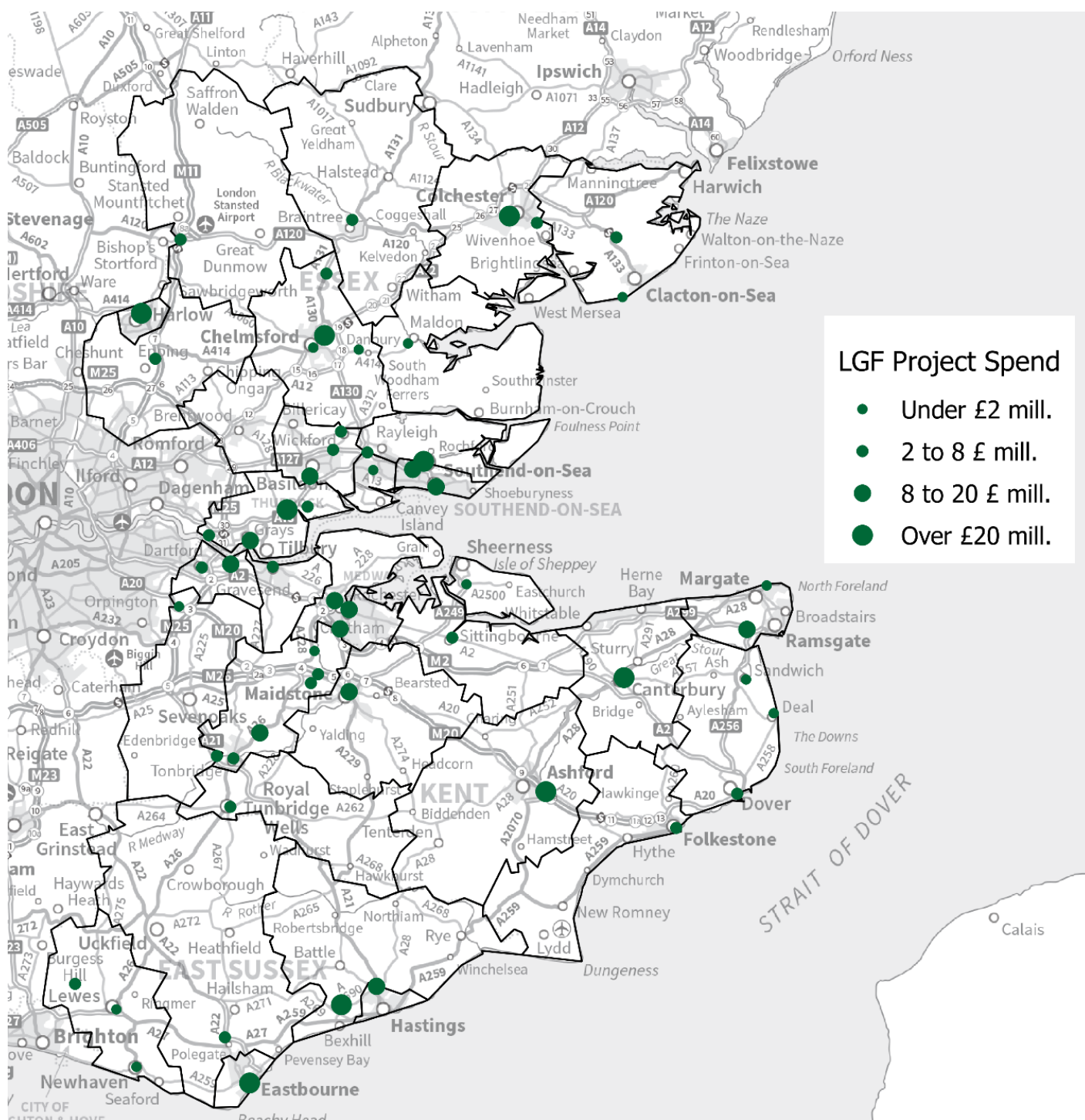
Figure 1: LGF investment by intervention type



Where LGF has been invested

The map below shows the location of LGF projects and investment. Where the projects are in very close proximity, the value of the LGF has been combined within one circle on the map.

Figure 2: LGF investment



The tables below show the level of LGF investment per head and by business located within each of the four federated areas. On average, £135.8 has been invested per head population across the SELEP area. The amount of LGF spend is highest in the Opportunity South Essex areas at £271.1 per head and lowest in the Success Essex area at £94.4.

The high LGF investment per head in the Opportunity South Essex area is mainly due to the investment in DfT retained schemes, such as the A13 widening project and A127 Fairglens Interchange, which deliver benefits across a much wider geography.

When DfT retained projects are excluded from the analysis, as per Table 3, the investment in Opportunity South Essex reduces to £116.0 LGF allocation per head.

Table 2: LGF investment by geography, including retained schemes

Federated Area	LGF allocation (£)	No of businesses¹	LGF allocation per business (£)	Population²	LGF per head (£)
KMEP	194,461,364	72,895	2667.7	1,860,100	104.5
OSE	195,876,255	28,770	6808.4	722,400	271.1
SE	106,155,180	51,615	2056.7	1,124,200	94.4
TES	82,442,570	23,130	3564.3	557,200	148.0
Total	578,935,369	176,410	3281.8	4,263,900	135.8

Table 3: LGF investment by geography, excluding DfT retained schemes

Federated Area	LGF allocation (£)	No of businesses	LGF allocation per business (£)	Population	LGF per head (£)
KMEP	194,461,364	72,895	2667.7	1,860,100	104.5
OSE	83,776,255	28,770	2911.9	722,400	116.0
SE	106,155,180	51,615	2056.7	1,124,200	94.4
TES	82,442,570	23,130	3564.3	557,200	148.0
Total	466,835,369	176,410	2646.3	4,263,900	109.5

¹ Source of enterprise data – ONS, UK Business Counts 2020

² Source of population data – ONS, Mid-Year population estimates 2019

Governance of LGF programme

Introduction

As a business led partnership organisation, the delivery of the LGF programme has involved several organisations. The core organisations directly involved with the delivery of the SELEP LGF programme include:

- SELEP Secretariat;
- SELEP Accountable Body, Essex County Council;
- Cities and Local Growth Unit, as a joint partnership between the Ministry for Housing Communities and Local Government and Department for Business, Energy, Industrial Strategy; and
- Six County/ Unitary Authorities, including East Sussex County Council, Essex County Council, Kent County Council, Medway Council, Southend on Sea Borough Council and Thurrock Council.

SELEP has two main boards: the Strategic Board and the Accountability Board. The Strategic Board sets the strategic direction, leadership and is responsible for the prioritisation of projects. The Accountability Board provides the accountability structure for decision-making and approval of funding within the overarching vision of the Strategic Board. The Strategic Board and Accountability Board receive updates on the delivery of the programme, but with more detailed information being presented to the Accountability Board to support their decision making.

Learning Point 1: There is an opportunity to present more detailed information to the Strategic Board to support their oversight of the capital programmes and to support the Strategic Board in fulfilling its role in ensuring the delivery of the Growth Deal.

Currently Strategic Board plays a limited role once projects are prioritised despite their responsibility for the Growth Deal. Strategic Board could provide additional challenge to ensure delivery of both outcomes and value for money. For example, where projects are significantly delayed Strategic Board should be given the opportunity to reconsider whether they continue to prioritise delayed projects ahead of other projects in the pipeline.

Learning Point 2: Where a prioritised project which has not yet received funding approval is significantly delayed, with an agreed definition of significant, Strategic Board will be asked to consider whether they still prioritise the project ahead of others in the pipeline.

SELEP operates with a Federated Model, which means that the SELEP Strategic Board is supported by four Federated Boards, namely Team East Sussex (TES), Kent and Medway Economic Partnership (KMEP), Success Essex (SE) and Opportunity South Essex (OSE). These Federated Boards also have a responsibility for overseeing the investments within their local areas.

Respecting the Federated Model, SELEP's governance structures are designed to support the quick flow of funding from SELEP to the six Unitary Authorities/County Councils for the delivery of LGF projects by the authority or for the transfer of funding to third party organisations.

Service Level Agreements are put in place between South East LEP Ltd, SELEP Accountable Body (Essex County Council) and the partner authorities (i.e. the six County/ Unitary Authorities), under which the LGF is

transferred. Partner Authorities are then required to put in place back to back agreements with any third-party project delivery organisations.

The only exceptions to this funding model were for the M20 Junction 10a project and for the Capital Skills fund. The SELEP Accountable Body entered into an agreement directly with Highways England for the transfer of £19.7m for the M20 Junction 10a junction in Ashford, Kent. The Capital Skills funding was transferred to Colleges directly under separate grant agreements.

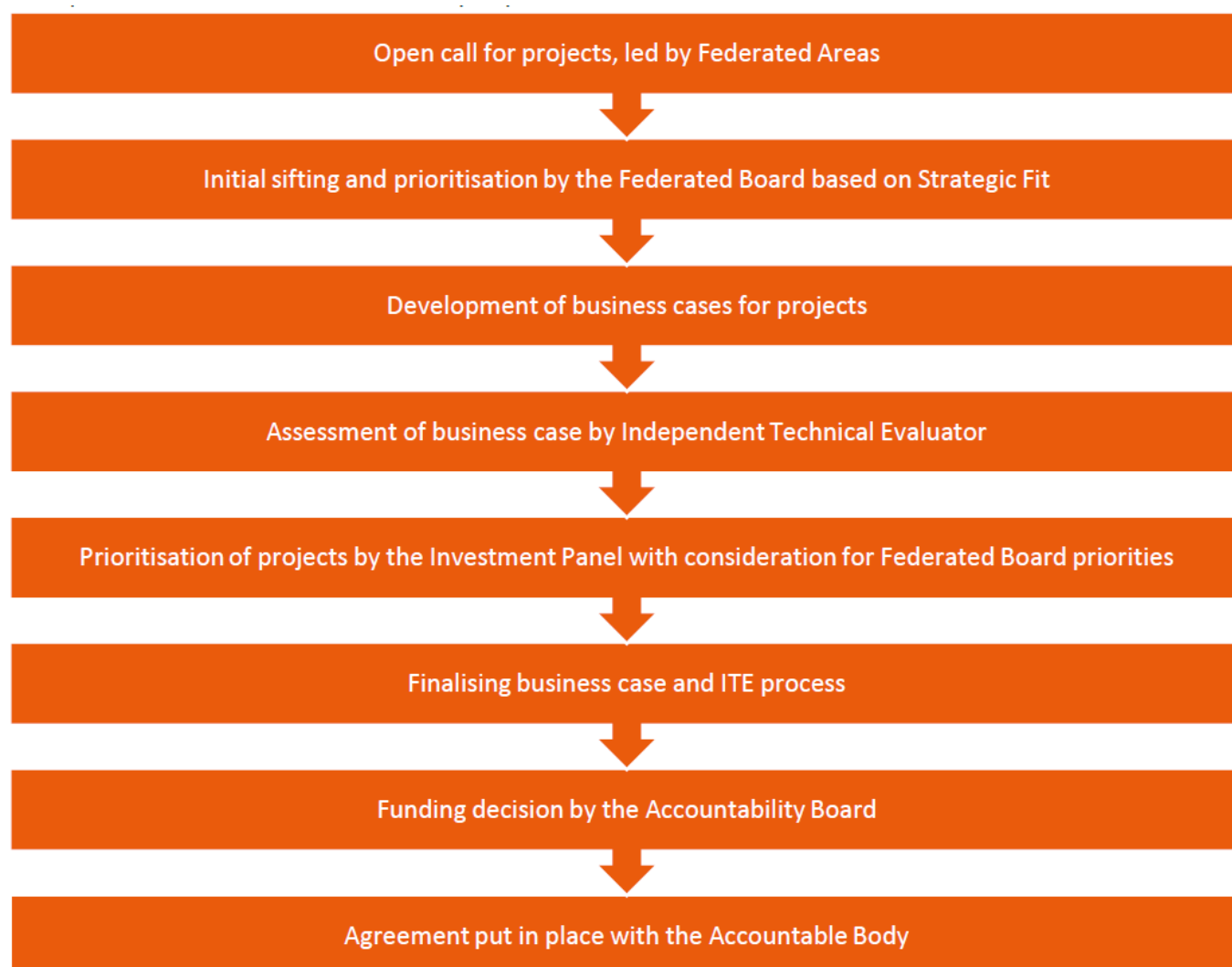
Prioritisation of projects

The approach to the prioritisation of projects is agreed by the Strategic Board and must meet the requirements of the Assurance Framework. The process follows the steps set out in Figure 3. The exact criteria for the prioritisation of projects depends on the requirements of the funding stream, but the specifics of the process are agreed at the outset before the open call for projects is launched.

Through various rounds of project prioritisation, lessons have been learnt about the need to ensure that Federated Areas are fully involved in the process, so the projects identified for investment reflect the local priorities. This has been achieved most effectively by seeking the Federated Board's view on the strategic case of the project. On occasion, limits have also been set on the number of applications that can be put forward by Federated Areas, to ensure the funding call is not substantially oversubscribed and to help reduce the potential abortive work invested in the funding call process.

There are requirements from Central Government for the prioritisation of projects to be informed by an independent assessment of projects. This role is undertaken by SELEP's appointed Independent Technical Evaluator. This technical appraisal has helped to provide an assessment on the deliverability of projects, as well as the strength of the projects economic case. The technical appraisal helps to inform the decision making by the Strategic Board in prioritising investments but the final decision-making authority rests with the Strategic Board.

Figure 3: Process for the prioritisation of projects



Source: SELEP Assurance Framework

Various approaches have been applied to prioritise projects for investment. Prior to the development of the SELEP Economic Strategy Statement and the recent Recovery and Renewal Strategy being adopted, the absence of a focused economic strategy for the SELEP area created challenges in comparing investment proposals. This presented a particular challenge in comparing projects which have very different objectives and expected benefits. For example, it has proved difficult to weigh up the advantages of investing in capital skills projects to improve learner outcomes, versus investment in transport projects to reduce congestion and improve sustainable transport provision.

The absence of clearly defined strategic objectives and key performance indicators at the start of the LGF programme has also meant that no LGF programme level objectives and KPIs were identified at the start of the programme. This creates a potential disparity between the economic challenges and opportunities in the SELEP area and how the grant funding has been invested. It also creates a challenge in evaluating the impact of the programme, as it is unclear what the overall LGF investment programme was expected to achieve.

The Recovery and Renewal Strategy has now been adopted by SELEP and the priorities agreed within the strategy will be used to inform future decision making by the Strategic Board. There may also be an opportunity to more closely define the types of investment which will help deliver the strategy, rather than launching open calls for all project types.

Learning Point 3: Any future funding calls should seek investment proposals which directly support the strategic priorities outlined within the Recovery and Renewal Strategy. This could include processes to seek specific types of investment projects to address the challenges identified for the SELEP area within the strategy.

The timescales for the prioritisation of projects is often driven by short deadlines set by Central Government. This reduces the time to carefully consider the scope of the projects, management approach and opportunities to maximise the benefits of investment.

For any future funding opportunities, SELEP may want to include some additional minimum requirements for all applicants such as targets for carbon savings and maximising the social value impact of the investment. These requirements need to be made clear prior to the bidding stage and cannot be introduced retrospectively.

Learning Point 4: In developing the eligibility and prioritisation criteria for future funding rounds, SELEP may want to consider adding in minimum requirements for supporting net zero carbon and maximising social value.

ITE process

Following the prioritisation of projects, scheme promoters are required to develop detailed business cases for the projects. The business cases are assessed by the SELEP ITE through a gate process. This gate process is set out in Figure 4 below and involves several stages to provide the applicants with information about the requirements of the process and feedback on the business case before the findings of the ITE assessment are presented to the Accountability Board.

In the early stages of the ITE process and funding awards, the ITE assessment was heavily focused on the economic appraisal of the project, to ensure the project delivered value for money. The ITE process now fully considers information across all five cases of the business case, including Strategic, Economic, Financial, Commercial and Management Case. The requirements of the process ensure there is full documentation in place before the project proceeds. This includes documents such as a risk register, cost breakdown, delivery programme, funding package, Equality Impact Assessment, and Monitoring and Evaluation Plans. Learning some of the lessons from LGF project delivery it may be possible to provide greater check and challenge on these documents to ensure project business cases include an appropriate budget and realistic delivery programme.

Learning Point 5: Refocus the scope of the ITE assessment and use the lessons learnt from the delivery of LGF projects to provide greater challenge of the information contained within the business case, such as project programme and cost breakdowns.

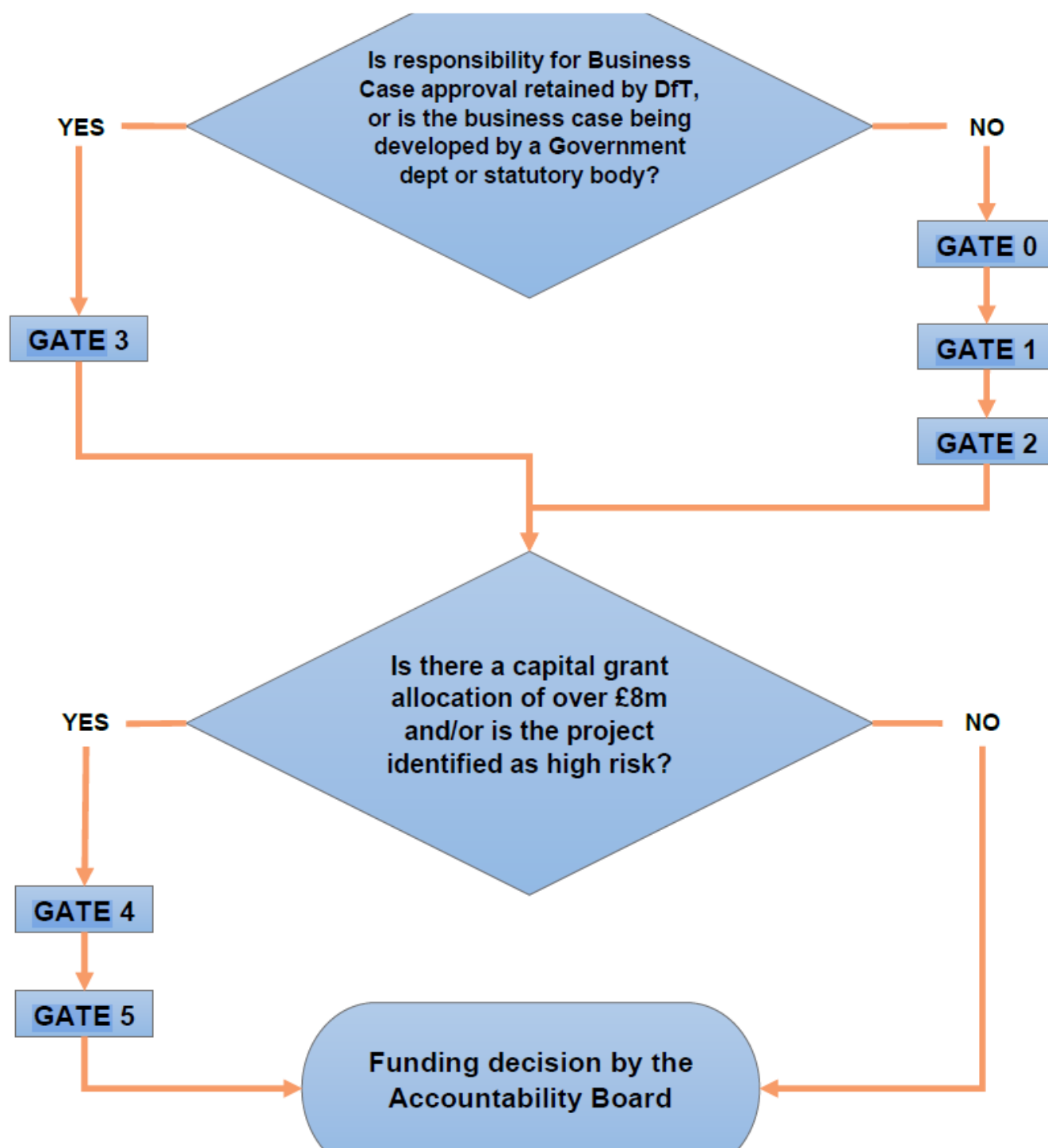
In 2017, the ITE gate review process was amended so that projects with a value of over £8m LGF were required to follow additional steps in the business case review process. For projects such as Thanet Parkway, some initial funding was available to draw down following the completion of the Gate 2 review of the business case. Further project development work was then required to prepare a full business case for the project once the tender exercise had been completed and there was greater certainty over the project. A further review of the business case was then completed, referred to as Gates 4 and 5, before the remaining funding was awarded to the project. The introduction of the additional steps helped to provide greater assurance over the deliverability of the project at the point of the more substantial funding awards being made to these projects.

For future funding streams it may be appropriate for a more regimented gate process to be introduced for a higher proportion of projects, especially more complex projects and those including a package of different interventions. The additional gate reviews would help ensure minimum project requirements have been met at each stage of the project's development before the next tranche of funding is released to support the next development stage. Some funding could be unlocked through an initial review of the business case to help fund the project development work but the majority of the funding would not be unlocked until key project barriers, such as planning consent, have been addressed.

Learning Point 6: For future funding programmes, consideration could be given to implementing a more structured gate process which allows initial funding to be released to support project development, enabling production of a more detailed Business Case, which provides greater certainty of delivery and realisation of benefits, to secure the release of the remaining funding allocated to the project.

This approach would allow development of higher risk projects to progress, whilst managing the level of funding risk faced by the local partner.

Figure 4: ITE review process



Source: SELEP Assurance Framework

Accountability Board approval

At the point of the Accountability Board funding decision, the Board are presented with summary information from the project business case and the outcome of the ITE assessment of the project.

Now that the Recovery and Renewal Strategy has been agreed for the SELEP area it may be possible to show the links between the objectives of the individual projects and the strategic objectives of the overall strategy. This would also help to highlight how well the investment is addressing the agreed strategy and identify any gaps in investment.

Legal agreements and funding transfer

For almost all projects, excluding M20 Junction 10a and the Capital Skills projects, LGF has been transferred from the SELEP Accountable Body, Essex County Council, to the six partner authorities. Where the project is being delivered by a third-party organisation, a back-to-back legal agreement is put in place between the partner authority and the third-party delivery organisation. These arrangements can cause delays in the transfer of funding and increase the time taken to put all the necessary legal documents in place. This model of managing the LGF programme was established at the start of the LGF programme, in 2015, as a way of respecting SELEP's Federated Model and reflecting the limited SELEP Secretariat resource at the start of the LGF programme.

For future funding streams SELEP Ltd may want to reflect how efficiency can be achieved in managing the flow of funding, ensuring accountability for delivery and managing risk. Whilst other LEPs have managed their smaller capital programmes centrally, this has increased the resource requirements within the LEP Secretariat team to audit and oversee project delivery, whereas SELEP places assurance on local authority processes to ensure the appropriate spend of the grant and delivery of the projects.

Transfer of funding by MHCLG

The flow of funding to projects is dependent upon the approval of funding by MHCLG at the start of each financial year. Until the grant determination letter is received each financial year, the funding is only provisionally allocated by Central Government. The risk of non-payment of the grant is transferred to local authorities through the Service Level Agreements. This has impacted businesses and local partners willingness to enter contracts to receive grant funding through SELEP, as the future year funding cannot be contractually committed or the risk of not receiving future year funding is priced into the contract: increasing the cost of the project and reducing the value for money achieved through LGF investment.

At the start of 2020/21, a third of the LGF due to be received for 2020/21 financial year was withheld by MHCLG, totalling £26m LGF, whilst checks were completed to confirm the need for this funding. The five-month delay in confirming the remaining £26m LGF led to project delays and substantial time commitment from SELEP in evidencing the need for the remaining funding and mitigating the risk had the £26m not been confirmed.

Learning Point 7: Firm confirmation of the grant is required from MHCLG at the outset of the programme to reduce the financial risk to local authorities, businesses and other organisations due to receive grant funding through SELEP. Additional lobbying on this issue to Central Government at the outset of funding programmes is of paramount importance and SELEP should use the influence of partners and stakeholders to assist in securing multi-year settlements

Monitoring delivery

Quarterly updates are received on the delivery of all projects and are presented to the Accountability Board, Strategic Board and Central Government. The monitoring returns include a range of metrics about the spend

of the grant, other funding sources, delivery milestones, risks, outputs and outcomes achieved to date. These returns are provided by the six partner authorities and are reviewed at the Programme Consideration Meeting, before the information is presented to the Accountability Board and Strategic Board.

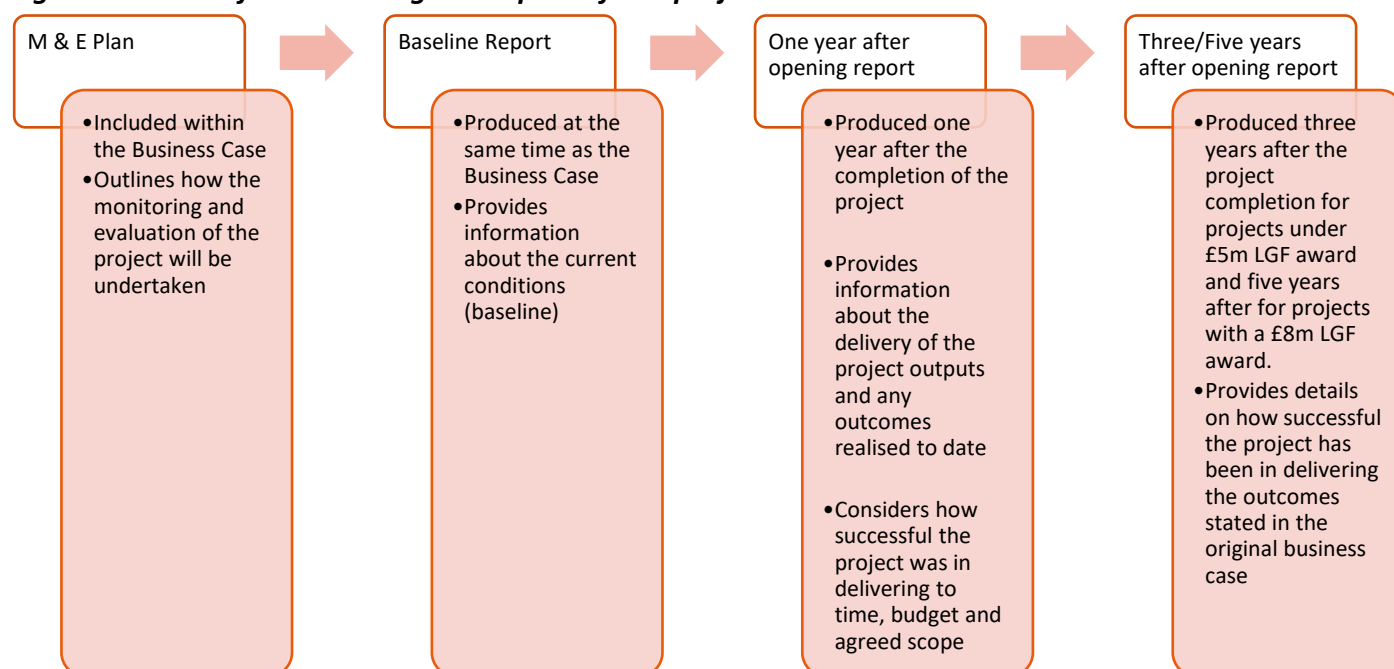
The approach to the monitoring of the investments locally differs between local authorities and federated boards. The reporting to SELEP has been most efficient where there is a strong oversight of projects at a local area, with dedicated programme management resource to oversee the investments and a programme board at a local level to ensure the projects remain on track and issues can be escalated and resolved.

The tracking of the project outputs and outcomes has been the most challenging area. This is, in part, due to clear expectations for the tracking of jobs and houses having not been agreed at the outset of the programme. Central Government also require updates on the number of jobs and houses delivered through LGF investment on a quarterly basis, whereas the data on house completions and job creation is captured on an annual basis and released several months after the end of the financial year.

Approach to M&E

All projects are required to provide ongoing monitoring information about the delivery of the project and undertake an evaluation of the project following its completion. The approach and resource expectations for this work are set out within the Monitoring and Evaluation (M&E) plan for each project, included as part of the business case. Each project is required to produce four specific documents in relation to the evaluation of the project: M&E plan, Baseline Report, one year after opening evaluation report and three/five years after opening evaluation report, as set out in figure 5.

Figure 5: Process for evaluating the impact of LGF projects



During the early years of the LGF programme, whilst there was an expectation that monitoring and evaluation would be undertaken for each project, the exact requirements from Central Government were not closely defined. As such, work has been required to retrospectively consider the baseline information and ensure the approach to evaluating the programme is understood and can be effectively undertaken. In some cases, this has involved retrospectively producing the baseline reports.

Learning Point 8: For future funding programmes, the monitoring and evaluation requirements should be clearly defined at the outset of the programme including a standardised approach to measuring benefits realised, with a M&E plan and baseline plan in place before the project commences. Sufficient revenue budget also needs to be identified to support the ongoing monitoring and evaluation costs associated with projects, particularly following the completion of the project.

Table 4 sets out the position with the post scheme evaluation reports. Those reports that have been received to date have been reviewed by the SELEP Secretariat and ITE. A number of project evaluation reports are currently outstanding. This reduces the opportunity to understand the lessons that can be learnt from the delivery of each LGF project and how these can be applied to future projects. An action plan will be developed to support the implementation of the learning points set out within this report. This action plan will remain a live document so that the learnings from individual project reports can be incorporated as they are received from local partners.

Table 4: Latest position with the evaluation of LGF projects

	Number of reports completed	Number of reports outstanding
<i>Projects completed to date</i>	33	25
<i>1 Year Post Scheme Completion</i>	12	11
<i>3/5 Year Post Scheme Completion</i>	7	4

Learning Point 9: For future funding rounds, a clause could be included within the Service Level Agreement between SELEP and local partners which provides the provision for clawback of the funding if the project is not delivered in full and a post scheme evaluation report submitted. This would provide the incentive to complete a thorough evaluation report to the required timescales and ensure that the original scope of the project has been achieved.

Delivery of project outputs

Overall position on project delivery

In total, 84 of the 141 projects included within the LGF programme have been delivered. The remaining 57 projects are due to complete beyond 31 March 2021, with the remaining grant having been transferred across to partner authorities for spend beyond the Growth Deal³.

Table 5: Project completions

	Number of projects
Completed projects	84
Construction in progress	28
Design in progress	25
Pending approval	4
Total	141

Source: Local partner update returns

Projects have only been allowed to retain LGF for spend beyond the Growth Deal period where the following five conditions can be satisfied:

- Condition 1: There must be a clear delivery plan with specific delivery milestones and completion date;
- Condition 2: There is a direct link between the delivery of jobs, homes or improved skills levels within the SELEP area;
- Condition 3: All funding sources have been identified to enable the delivery of the project;
- Condition 4: Strategic Board endorsement is required; and
- Condition 5: Contractual commitment must be in place for the delivery of the project by 30 September 2021.

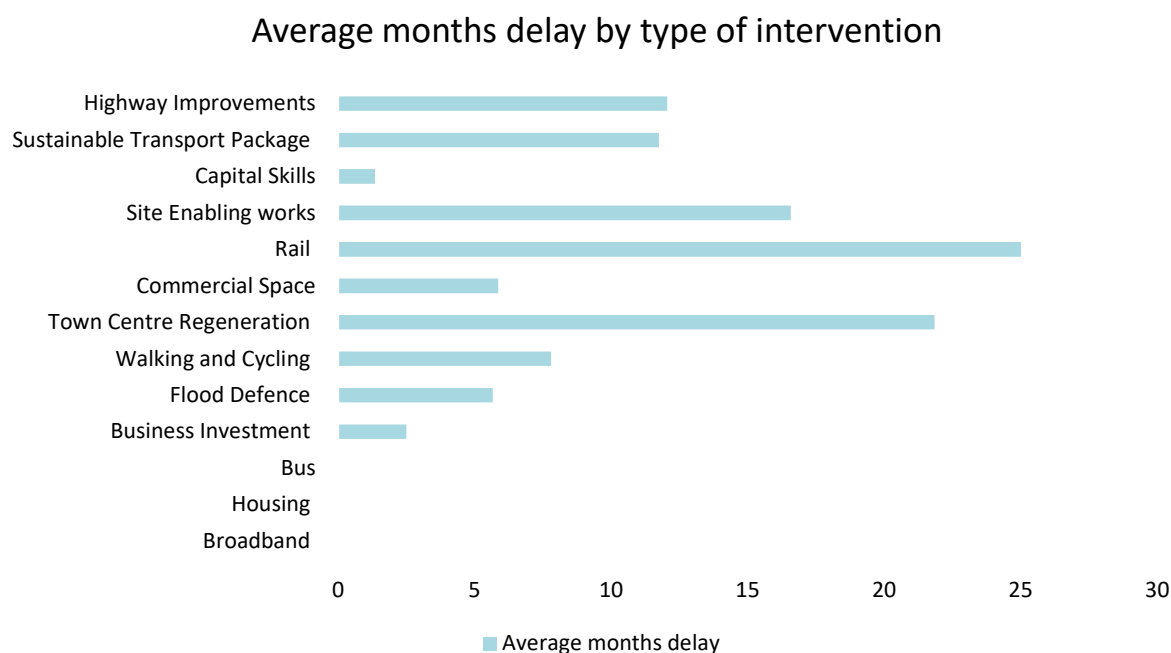
Project delays

An assessment has been completed to consider how the actual project delivery programme compares to the expected completion dates stated in the business case. The revised actual completion date or revised forecast completion date has been obtained from the last quarterly update return provided by each local authority. This shows an average 8-month delay for each LGF project in the programme.

The most substantial delays have been identified for rail projects, with the four rail projects averaging a 25-month delay, but with only one of the four rail projects having completed to date this average delay may increase further. Town Centre Regeneration projects experienced, on average, the second longest delay at 22 months as set out in figure 6.

³ With the exception of the LGF held by the SELEP Accountable Body in relation to A28 Sturry Link Road.

Figure 6: Average months delay by type of intervention



Source: Local authority update returns

When considering the length of project delays relative to the scale of intervention, the projects with larger LGF allocations incurred the longest delays. Projects with an LGF allocation of over £10m experienced the longest delays, with an average 18-month delay to completion, relative to the programme set out within the business case.

When project delays are considered relative to the total project cost, there does not seem to be any relationship between the length of project delays and the total project cost. This may be due to the high proportion of projects over the value of £10m which remain under construction. Only seven of the 19 projects with a total project cost of over £20m have been completed to date. As such, the analysis of the current data available may not show the full extent of delays the large-scale projects will experience.

Figure 7: Project delays by LGF allocation

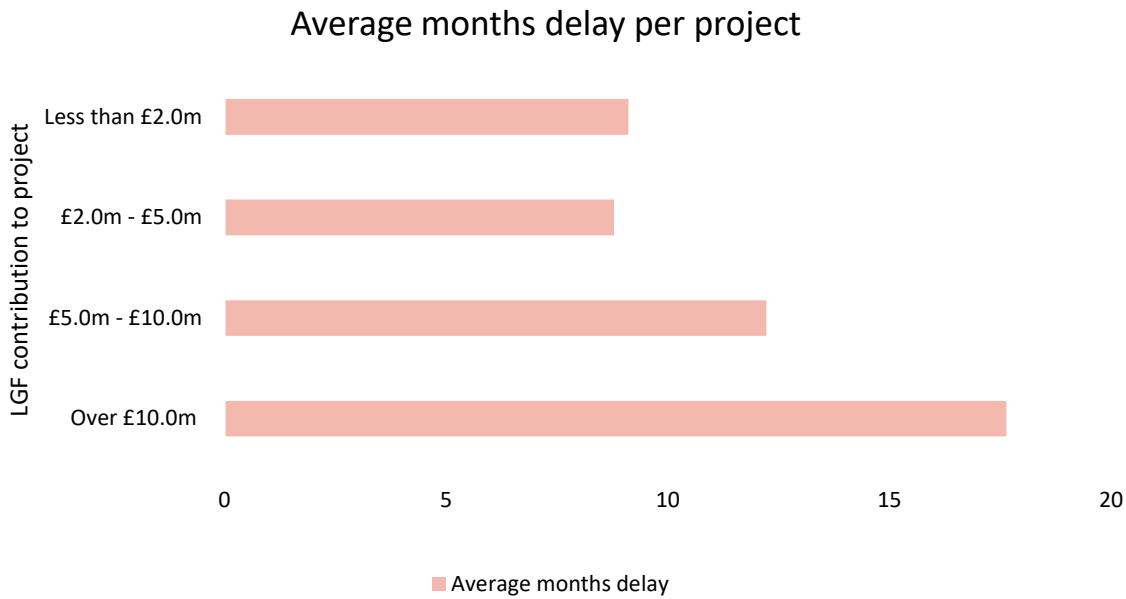
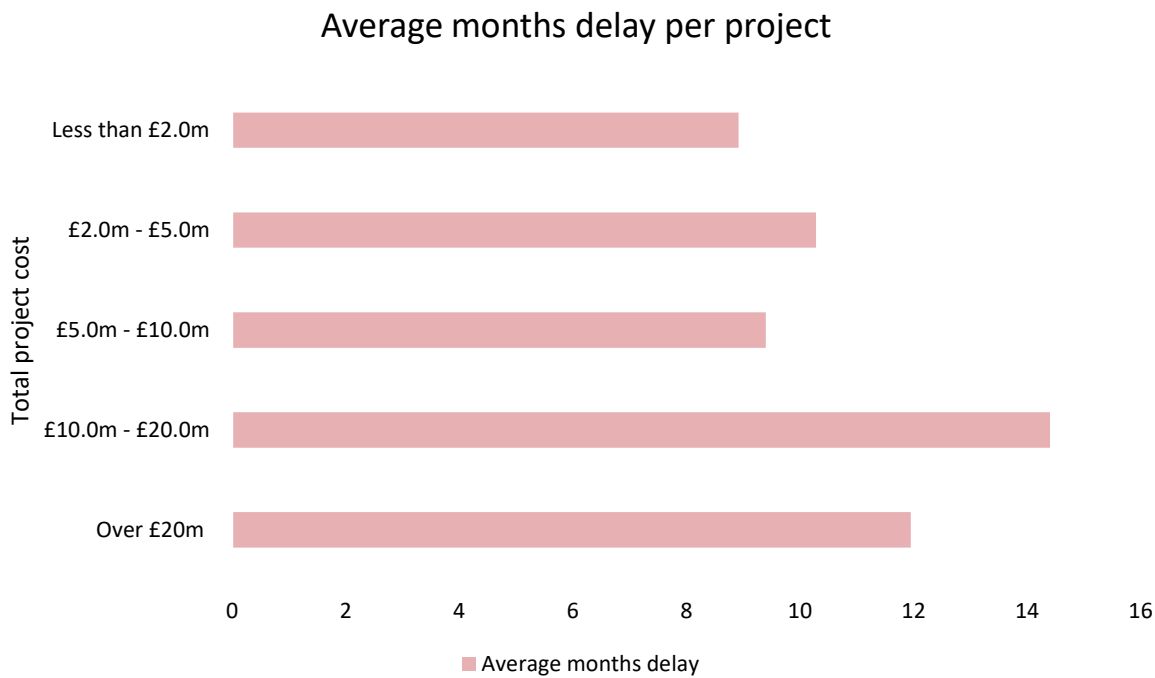


Figure 8: Project delays by total project cost



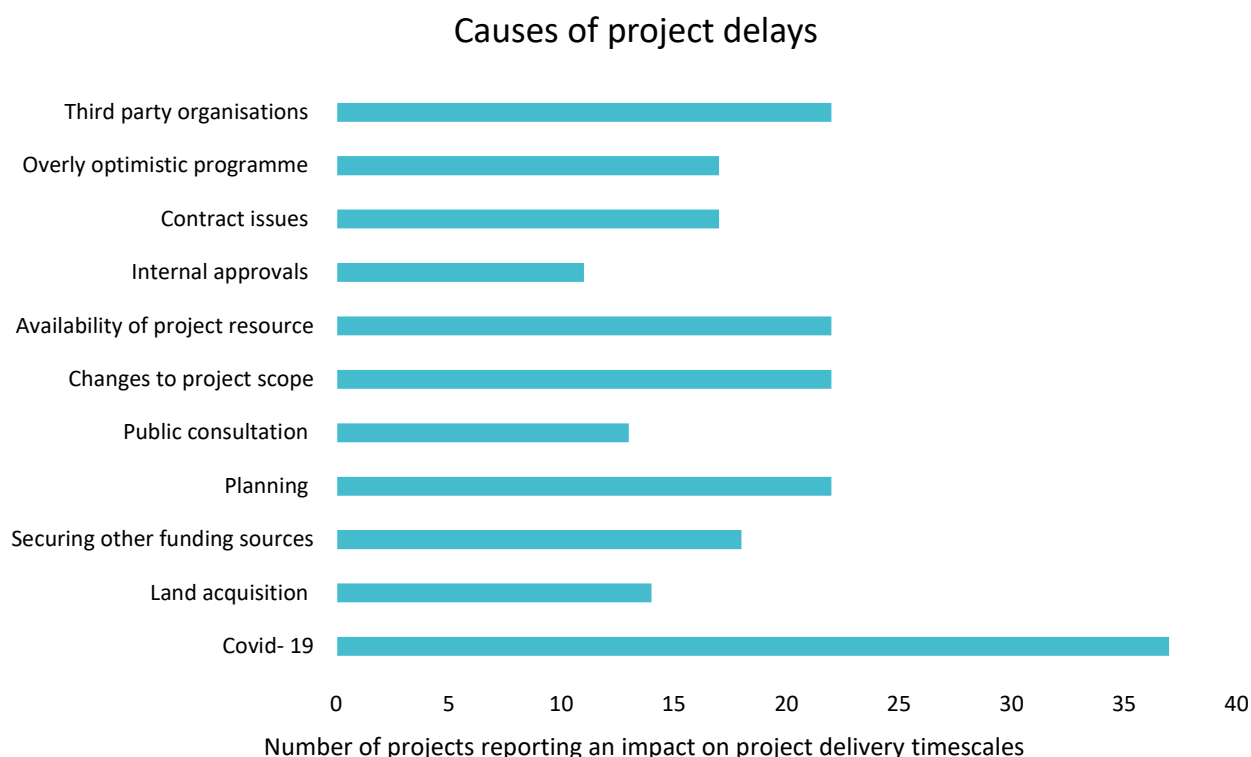
Causes of project delays

Local areas have been asked to provide information about the causes of project delays. Information has not been provided for every project, but responses have been provided for a majority of projects. Local partners were asked to state all the factors which contributed to the delays experienced in delivering the project, or the delays experienced to date where the project remains live.

The responses show that, unsurprisingly, COVID-19 has an impact across the greatest number of projects, with 37 projects stating delays associated with the impact of the virus and the public health measures in place during 2020 and 2021.

Aside from the impact of COVID-19, the other main causes of project delays were planning, changes to project scope, availability of project resource and the impact of third-party organisations.

Figure 9: Causes of project delays



Source: Local authority update returns

The causes of project delays have been considered based on the type of intervention, as set out in Table 6. As there is an incomplete data set, as not all projects have provided information, and some projects remain in progress, this is not a complete analysis. However, the information in table 6 suggests that contract issues have been a contributor to delays experienced by highway projects. Several sustainable transport projects also reported overly ambitious delivery schedules.

Table 6: Causes of project delays by project type

Type of intervention	Covid- 19	Land acquisition	Securing other funding sources	Planning	Public consultation	Changes to project scope	Availability of project resource	Internal approvals	Contract issues	Overly optimistic programme	Third party organisations
Highway Improvements	11	9	7	8	6	8	8	3	10	8	8
Capital Skills	5	0	2	2	0	4	3	2	0	0	1
Sustainable Transport Package	6	2	3	2	4	4	4	1	2	5	4
Site Enabling works	2	0	1	4	1	1	2	1	1	1	2
Rail	1	1	1	2	1	2	1	1	3	1	3
Commercial Space	6	1	4	3	0	2	2	2	1	0	2
Town Centre Regeneration	4	1	0	1	1	1	2	1	0	2	1
Walking and Cycling	1	0	0	0	0	0	0	0	0	0	0
Flood Defence	0	0	0	0	0	0	0	0	0	0	1
Business Investment	1	0	0	0	0	0	0	0	0	0	0
Bus	0	0	0	0	0	0	0	0	0	0	0
Housing	0	0	0	0	0	0	0	0	0	0	0
Broadband	0	0	0	0	0	0	0	0	0	0	0
Total	37	14	18	22	13	22	22	11	17	17	22

Impact of COVID -19

As set out in table 6, a total of 37 projects reported delays due to the impact of COVID-19. Due to the substantial impact across the programme, local partners have provided further information about the impact of COVID-19 on the delivery of the programme.

The main impacts of COVID-19 on project progress include:

- Delays to TRO's and public consultation – new approaches to completing public consultation were required whilst the public health measures were in place to reduce social contact. This change to approach required re-planning.
- Planning delays – this includes delays to planning applications being determined by local authority planning committee as the new processes for meeting virtually were introduced and delays to Planning Inspectorate hearings for planning appeals.
- Sickness – members of the project team became unwell with COVID-19, causing delay to works and, in some cases, construction sites needed to temporarily close.
- Supply chain impact – some of the projects struggled to source materials, due to challenges within the international supply chain.
- Affordability – project finances have required review to consider cost implications of any substantial project delays or reduction in funding sources available to support the project, due to financial pressures on the delivery organisations.
- Delays to the delivery of the project benefits – some projects have reported a potential slowdown in the employment growth and commercial space delivery due to the uncertainty over demand for office space.

Other issues impacting project delivery

The review of the post scheme evaluation reports and conversations with officers through the programme consideration meeting group across SELEP has identified some common issues which have impacted the delivery of LGF projects and lessons learnt through the programme.

Constraints of the funding deadlines

The deadlines for securing funding can lead to decisions to progress projects when they have been insufficiently well developed. Some projects have received funding awards in advance of public consultation having taken place and planning consent having been secured. Through public consultation some substantial changes to projects can be identified, impacting project scope, costs and delivery timescales.

The need to achieve SELEP and Government deadlines for spending grant funding can also lead to poor decision making in terms of establishing an appropriate funding package for projects and using the appropriate contracts to deliver the project. The National Audit Office 2016 report on Local Enterprise Partnerships also found that the pressures placed on LEPs by Central Government departments to spend their LGF allocations in year was creating a risk that LEPs would not fund projects most suited to long-term economic development⁴.

A longer-term picture of future funding streams may help to reduce the amount of early bidding funding for projects in advance of them being sufficiently well developed. It would also support local decision making which supports investment in projects which most urgently need funding, rather than holding back funding for projects to spend in future years.

Learning Point 10: Seek greater assurances from Central Government over future capital funding streams to enable longer term planning of local infrastructure investment.

Skills and resource

As well as LGF investment, a number of other funding streams have also become available over the same timescales, creating competition for resource: both internally within local authorities but also within the private sector, for contractors and suppliers. This is a particular challenge for the SELEP area, where there is a concerning construction skills shortage and there are several large-scale infrastructure projects planned or underway. The competition for resource within the private sector also increases project delivery costs.

The resource requirements of delivering the LGF programme have not just relied on project managers and senior officers within the local authorities but also rely on capacity and expertise of experts from across the wider organisation, including teams such as finance, legal and procurement.

A number of the LGF projects have relied on the involvement of third-party government agencies, including Network Rail and Highways England. Involvement of these agencies has ranged from a requirement to engage during project development to leading on project delivery. Effective and prompt action by these agencies has proved critical to enabling project delivery within the timeframe set by Government and is reliant upon there being sufficient expertise available within the organisation. This resource has not always been available and has contributed to the extended delivery programme of a number of projects within the LGF programme.

It is also important that promoting authorities have an understanding of the governance processes of any third parties involved in project delivery and that these are factored into the project delivery timetable.

⁴ NAO, [Local Enterprise Partnerships](#), HC 887, Session, 2015-16, 23 March 2016, pg. 6

Learning Point 11: The resource requirement for promoting authorities delivering capital projects needs to be fully understood and costed. Appropriate contingency and inflation costs need to be considered within project cost estimates to account for construction cost increases and appropriate project management costs.

Scheme promoters need to ensure that adequate resource and expertise is available across the organisation or is available from third party organisations, including other governmental agencies to support the delivery of the project.

Further lobbying of Central Government on the impact of delays by other governmental organisations, such as Network Rail and Highways England, should continue. This could include the calculation of financial cost of delays to illustrate the impact of the delays

Governance processes

The governance processes for SELEP funding may differ from internal local government processes, and the governance requirements of contracts, such as the NEC 3 or JCT contracts. The differing governance arrangements and how these will be managed needs to be considered at the outset of the project so as to ensure effective delivery. Without effective management these differences can further complicate contract governance and can result in officers being required to act in excess of their Local Authority delegations due to the requirements of the contract. It is critical that steps are taken to align the governance processes as much as possible in advance of the commencement of any contracts.

The planning process has been identified as one of the main reasons for delayed project delivery. Whilst this has, in part, been due to complications which have arisen as a result of the COVID-19 pandemic, other planning issues have arisen which have impacted on project delivery programmes. These issues include planning permission being refused and the application being subject to a planning appeal and design changes which have prompted the need for further consultation and extended planning determination periods. Whilst not all of these planning issues could have been foreseen, it is important that sufficient time is allowed in the project delivery programme for planning permission to be secured to minimise the delay to project completion.

All projects are subject to internal local authority processes and approvals throughout their delivery programme – including agreement to add the project to the capital programme and management of any changes to the project including scope and budget/funding package. The time required to secure the required approvals can be significant, particularly when both Cabinet and Full Council need to consider and approve the project and can lead to delays in project delivery. These internal processes can easily be overlooked when developing the project programme and therefore, when considering any potential future funding streams, additional time needs to be allowed within the project programme to ensure that completion of internal governance requirements does not impact on the construction timetable.

Utilities

Through discussions with partner authorities it has been identified that utility diversions have created a delay to a number of projects. This is due to a range of issues including:

- There being an inaccurate understanding of where the utilities are located;
- Limited resource within the utility companies to co-ordinate and resource the works required to enable the delivery of LGF projects; and

- Restrictions on when the moving of utilities can take place.

For larger scale projects it may be necessary to appoint an individual responsible for co-ordinating the diversion of utilities and for the diversions to take place before the main construction works commence.

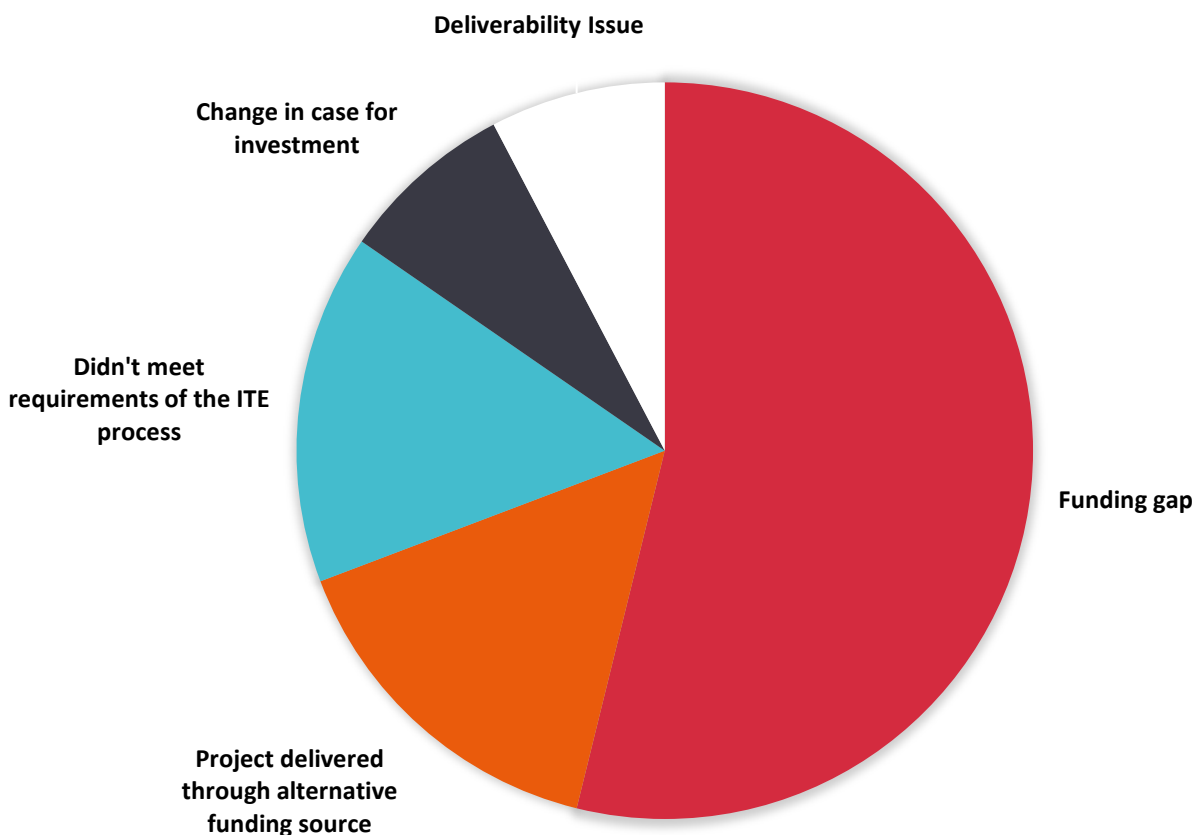
Cancelled LGF projects

Since 2015, a small number of LGF projects have been removed from the programme or have been placed on hold for a period of more than two years. As shown in figure 10, the main reason for the projects being unable to proceed is due to a funding gap, but with other reasons also including alternative funding streams becoming available, not meeting the requirements of the ITE process, project no longer presenting a strong case for investment and deliverability issues (predominantly relating to land acquisition).

For the seven projects that identified a funding gap, in five cases this was due to the local match funding stream not becoming available. In two cases, the funding gap was due to a change in project scope being required but the project no longer being affordable within the available budget.

In the later years of the programme, LGF has only been awarded to those projects that have a complete funding package once the LGF has been secured. In some circumstances, where the other funding sources have been identified but have not been confirmed, the LGF funding award has been made subject to written confirmation being provided by the partner authority to confirm that the full funding package is in place before the funding is transferred.

Figure 10: Main reasons for the cancellation of projects from LGF programme



Delivery of project outcomes

The objectives of the LGF programme were not closely defined by MHCLG or SELEP at the outset of the programme, but the overall aims of the Strategic Economic Plan were to create new private sector employment opportunities and deliver new homes. The projects identified within the programme were either expected to directly unlock private sector development sites through tackling site viability issues or indirectly, through improving skills levels and improving transport provision for access to education and employment. The majority of LGF investments were made to achieve one or more of the following six objectives:

- unlocking new employment sites;
- unlocking new housing sites;
- supporting the regeneration of town centres;
- reducing congestion;
- supporting sustainable transport; and/or
- improving skills.

As many projects are still in the delivery phase, it is not currently possible to complete a full evaluation of the impact of LGF investments at this time. As per the process set out in figure 5, one-year post scheme completion and three/five years post scheme completion reports are required for individual projects. This information will feed into future assessments of the impact of the LGF programme.

In the interim period, this section of the report looks at the impact of LGF investment on housing delivery and the completion of employment space/job creation.

Housing Delivery

The original SEP set the ambition to deliver a total of 100,000 homes by 2021. To achieve this ambition SELEP sought a total of £2bn LGF. As the SELEP secured 29% of the funding ask, the expected housing delivery of the LGF investment was scaled back. Based on the information provided within project business cases and reporting by local partners it was expected that the Growth Deal would deliver 111,424 new homes in total over an extended period of time.

Table 7 shows the reported progress in delivering houses to date and the latest forecast housing delivery information. The full impact of the programme is not yet understood as 57 projects have not yet been completed and the expected benefits of the projects stated within the business case often extend over a 15-year period, or longer.

Table 7: Houses delivered through LGF investment

Partner authority	Forecast in business cases	Latest revised forecast⁵	Houses delivered to date	Completion to date relative to revised forecast (%)
<i>East Sussex</i>	6,582	2,708	1,841	67.98%
<i>Essex</i>	60,727	46,885	15,798	33.70%
<i>Kent</i>	21,154	22,657	5,730	25.29%
<i>Medway</i>	10,756	10,756	1,144	10.64%
<i>Southend</i>	5,346	5,346	656	12.27%
<i>Thurrock</i>	6,859	6,859	No reported housing completions	
Total	111,424	95,211	25,169	26.43%

Source: Local authority LGF update returns

To date, local partners have reported the **delivery of 25,169 new homes** as a result of LGF investment, relative to the 95,211 expected, with a further 70,042 due to be delivered in future years.

The housing delivery forecasts have not been revised to consider the impact of COVID-19 but this may reduce the total number of housing completions expected as a result of LGF investment or slow the pace of housing delivery.

Challenges with data

There are several challenges with the reporting of housing completions by local areas, this includes the following concerns:

- Data on housing completions is only released annually and so the latest returns provided by local partners is only expected to include data to the end of 2019/20 at this time.
- There is no uniform approach recommended by Central Government for how the impact of investment on housing delivery should be assessed. The approach differs between different types of intervention.
- There are challenges in determining the extent to which the housing delivery was dependent on the LGF investment compared to the scale of development which would have taken place irrespective of the LGF investment.
- It is difficult to differentiate the impact of different infrastructure projects and to ensure that the benefits of infrastructure investment are not double counted.

To consider the impact of LGF investment on housing delivery more holistically, Figure 11 shows the house completions across the SELEP area since 2015, relative to LGF investment. From the information it is not possible to show the dependency between the housing delivery and the LGF investment, but residential development sites can be seen in close proximity to the LGF investments.

Analysis has also been undertaken to compare the average housing delivery in districts based on the amount of LGF spent in that district (considering completed LGF projects only), a summary of which is presented in Table 8. From the data currently available there does not seem to be a statistically significant correlation between the location of LGF investment and the housing completion figures for that specific district.

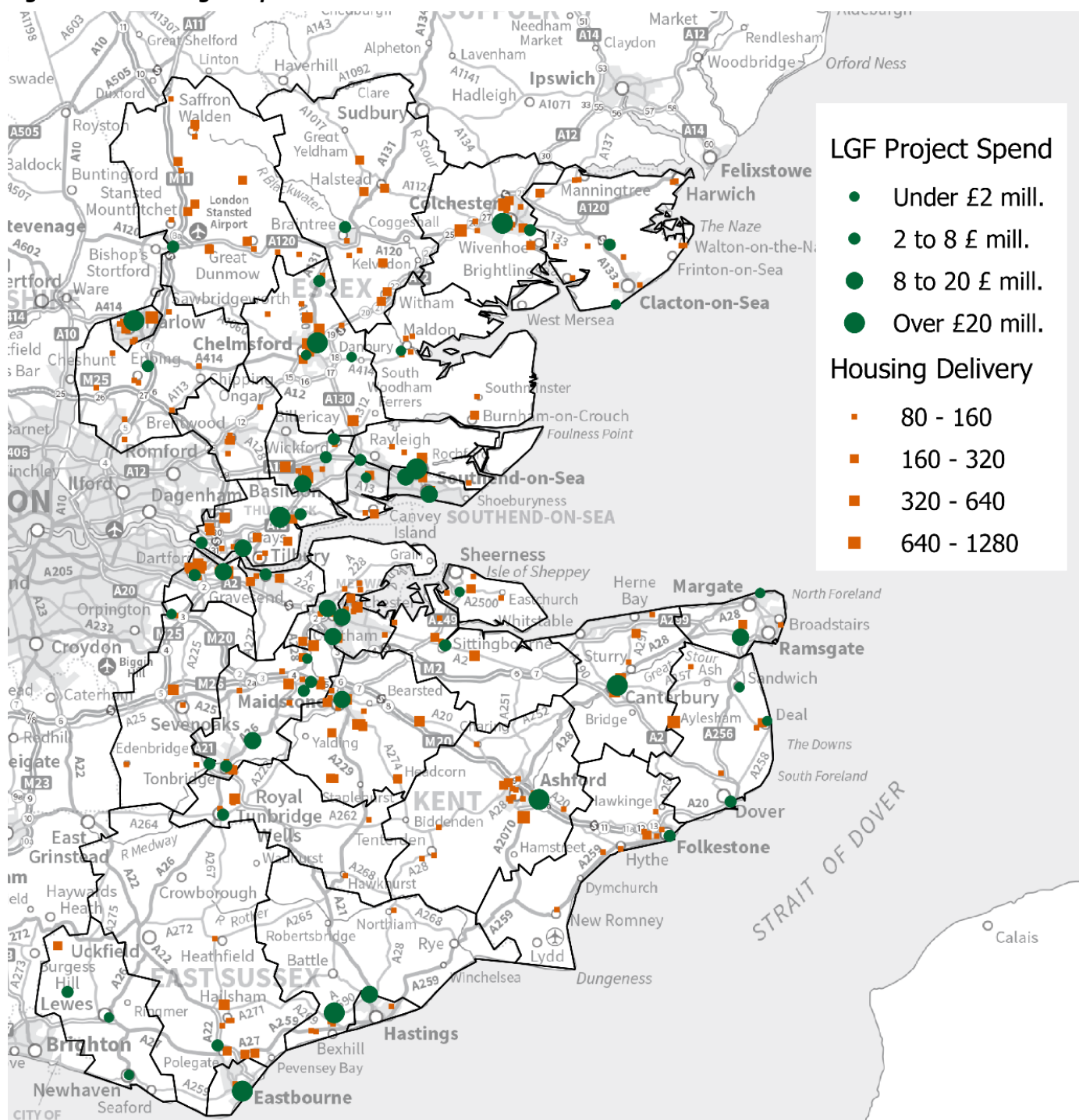
⁵ The expected housing completions have not been revised to consider the impact of COVID-19

As set out above, it is difficult to differentiate the impact of the LGF investment relative to investment through other funding streams and development which may have taken place without the LGF investment. The methodology is also flawed as the impact of LGF investment is not necessarily confined to the district in which the project is being delivered. The analysis does, however, show that the average housing completions were higher over the five-year period to 2020 in districts where over £2m LGF was invested.

Table 8 – Average district housing completion by amount of LGF investment (considering completed LGF projects only)

Complete Projects Value	Average Housing Delivery (5 years)	Local Authorities
0	1,862	
Under £2 million	2,064	Hastings, Swale
£ 2 to 5 million	3,586	Basildon, Dartford, Maidstone, Medway, Southend, Tendring, Tonbridge and Malling
£ 5 to 10 million	3,211	Chelmsford, Dover, Folkestone and Hythe, Thurrock
£ 10 to 20 million	3,053	Ashford, Colchester, Harlow, Rother

Figure 11 – Housing completions and LGF investments



Within the original SEP document, SELEP aspired to increase the pace of housing delivery by 50%, relative to the position prior to 2014. Across the SELEP area, this target has been far exceeded. SELEP has achieved a faster pace of housing delivery than the national average, with a 73% increase in housing delivery between the three years to 2013/14 and the three years to 2019/20⁶. The rate of increase in housing delivery within the SELEP area over this timescale exceeds the national average of 64%.

⁶ Calculated based on a three-year average.

Table 9: Housing delivery

	Average Annual Net Housing Delivery 2012/13 to 2014/15	Average Annual Net Housing Delivery 2017/18 to 2019/20	Increase in delivery
SELEP	10,028	17,317	73%
England	144,007	235,976	64%

Employment space and job creation

The SEP set the ambition of creating 200,000 new private sector jobs by 2021. As with housing growth, the expected impact of the LGF in supporting new employment opportunities was adjusted to take account of the actual funding received from Central Government, relative to the amount sought. Based on the information provided within project business cases and reporting by local partners it was expected that the Growth Deal would result in the creation of 149,361 new jobs in total.

Some of the projects are expected to help facilitate the creation of new jobs through the provision of new commercial space, whereas other projects will improve access to employment opportunities or unlock sites for redevelopment. The delivery of infrastructure and residential development is also expected to help create jobs within the SELEP area.

Job creation

Table 10 shows the reported progress in delivering jobs to date and the latest forecast jobs delivery information. The full impact of the programme is not yet understood as 57 projects have not yet been completed and the impact of COVID-19 on employment levels in the medium – longer term is not currently clear, as the furlough scheme is currently still in place.

As with housing delivery, the benefits of the projects stated within the business case often extend over a 15-year period, or longer, but the impact of COVID-19 may further delay the delivery timescales.

The reporting by local areas on the impact of LGF investment in creating new jobs is set out in Table 10. The reporting suggests that a total of 24,785 jobs have been created as a result of the programme, with 20% of the expected jobs having been created to date.

Table 10: Job creation

Partner authority	Forecast in business cases	Latest revised forecast⁷	Jobs created to date	Completion to date relative to revised forecast (%)
<i>East Sussex</i>	17,301	3,456	941	27.23%
<i>Essex</i>	64,362	52,957	15,565	29.39%
<i>Kent</i>	22,226	21,929	5007	22.83%
<i>Medway</i>	20,997	20,997	2,378	11.33%
<i>Southend</i>	3,880	3,880	323	8.32%
<i>Thurrock</i>	20,595	20,595	571	2.77%
Total	149,361	123,814	24,785	20.02%

Source: Local authority LGF update returns

As with the housing delivery data there are also concerns about the reliability of the data on job creation due to the risk of double counting across LGF projects or investment through other funding streams.

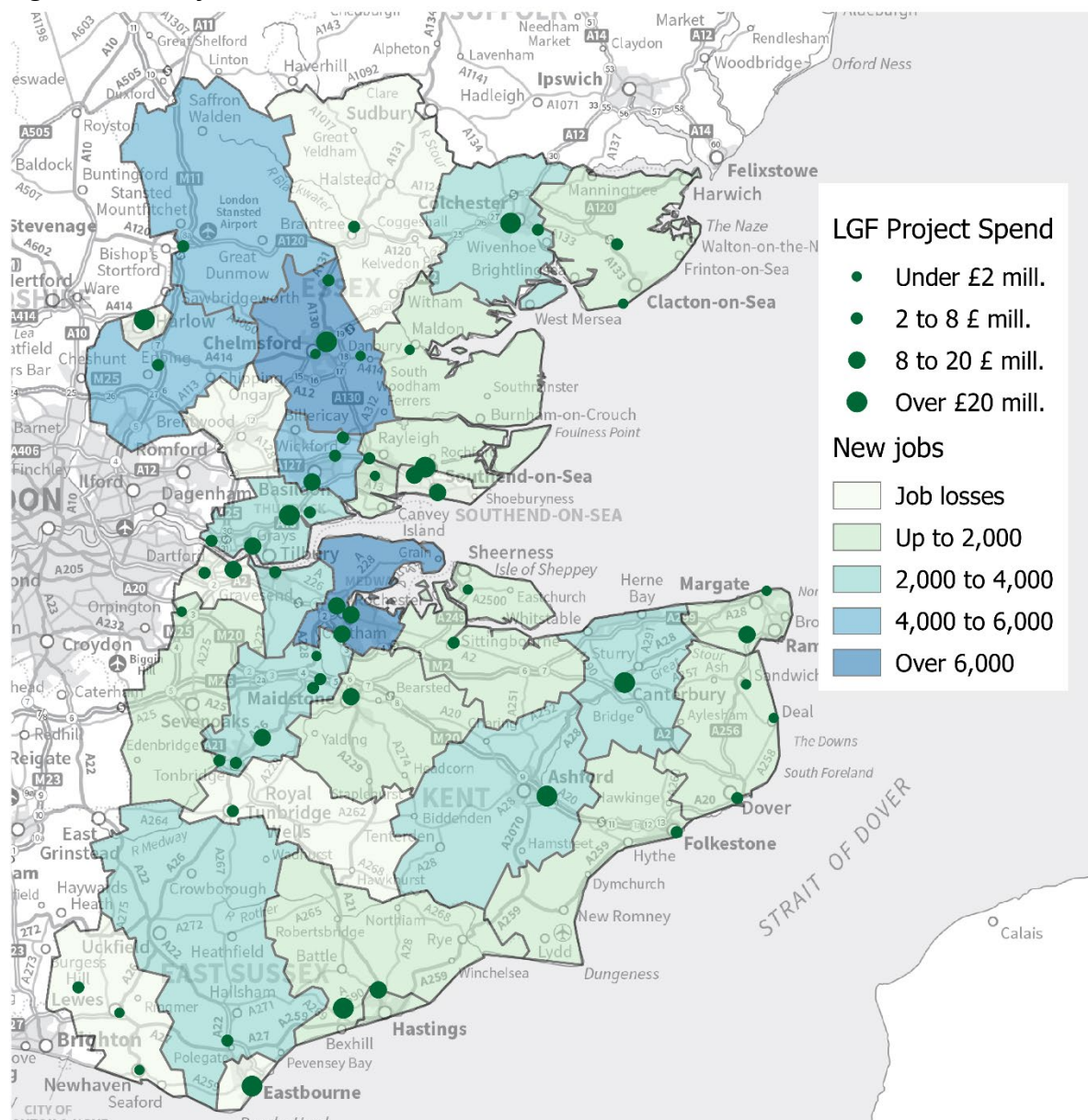
The job creation data has been assessed across the SELEP area since the start of the LGF programme. The number of jobs in the SELEP area increased by 104,600 between 2015 and 2019. Employee jobs increased by 52,800, and self-employment by 51,800. The growth rate in employee jobs was below the England average, with a net loss of public sector jobs and a relatively low increase in full time private sector jobs. Most net job creation was for part-time private sector jobs and the increase within the SELEP area for such jobs was in line with the national rate of increase.

Table 11: SELEP area Employee jobs 2015 – 2019

	Increase in Jobs, 2015-2019	Increase as a percentage	Increase for England
Public Sector			
<i>Full time</i>	2,000	1.3%	2.5%
<i>Part time</i>	-2,500	-2.4%	-0.1%
Private sector			
<i>Full time</i>	10,000	1.1%	3.9%
<i>Part time</i>	43,300	10.0%	10.0%
Total	52,800	3.4%	5.0%

⁷ The expected housing completions have not been revised to consider the impact of COVID-19

Figure 12: New jobs and LGF investment



Source: ONS Business Register and Employment Survey.

The impact of COVID-19 on the delivery of project benefits is not fully understood. As part of the LGF update return provided by each local area, partners have been asked about the impact of COVID-19 on the delivery of the expected project benefits.

No substantial changes have been reported to the impact of COVID-19 on individual projects by local partners; however, for some schemes, the delay to project completion will impact the timescales for the delivery of project benefits.

At the time of writing this report, the conditions for the 'new normal' are not understood. It is reasonable to assume that the behaviour change as a result of the public health measures put in place during the pandemic may have longer term implications for commercial space demand, housing demand, travel patterns and the future of high streets. This may impact the benefits due to be delivered through the LGF programme.

Conclusions

This document gives a clear overview of how the management of the LGF programme has evolved over the Growth Deal period and provides a strong insight into the processes which need to be established in advance of receipt of any future capital funding streams.

It is evident from this report that governance of the LGF programme has been considerably strengthened since the outset of the programme, with structured monitoring and evaluation processes introduced, strengthened change management processes and a refined prioritisation process which supports input from the SELEP Federated Boards. Despite the progress which has been made during the Growth Deal period, this report outlines a number of learning points which could be considered by the Accountability Board and Strategic Board should any further capital funding become available. These learning points include targeting investment to best support the strategic objectives set out within the SELEP Economic Recovery and Renewal Strategy allowing a more focused programme of investment and refocusing the Independent Technical Evaluator process to provide greater challenge to the information provided in the wider project Business Case – for example, delivery programme and project costs. Introduction of these measures is dependent upon Central Government taking on board feedback provided in relation to their management of the funds and the limited advance notice normally provided.

Whilst acknowledging that at the outset of the Growth Deal a global pandemic could not have been foreseen, the report also provides a valuable insight into other causes of delayed project delivery, including planning, engagement with external organisations, resourcing issues and changes to project scope. Ongoing Getting Building Fund and Growing Places Fund projects can learn from the LGF experiences shared by local partners to better shape their delivery programmes to minimise delays.

Importantly the document offers a useful opportunity to highlight, albeit at an early stage, how the LGF has helped the key growth areas in the SELEP region bring forward important infrastructure projects to deliver homes and jobs during the early part of the Growth Deal. More recent funding has been important to the education sector to enable a growth in skills and the full benefit of this will be seen across the SELEP area in the coming years.

This document has been presented to Accountability Board and has been updated where necessary to reflect comments received. It will now be presented to Strategic Board to allow members to provide feedback on their own experiences of the Programme and to consider the learning points identified. Following agreement of learning points, an action plan could be developed. This would set out learning points and the changes necessary to implement them. It would be prioritised and include timescales for delivery. The production of an action plan is pending further clarity on the future role of LEPs and the availability of resource in future years.