

Item 8: Local Growth Fund and Getting Building Fund Update

Executive Summary

1. Overview

- 1.1. This report provides the Strategic Board (the Board) with an update on the SELEP Capital Programme and outlines the steps which are being taken to prepare the programme for handover to the six Upper Tier Local Authorities as expected by Government in April 2024.
- 1.2. Essex County Council (as the Accountable Body for SELEP) is currently holding £2.049m Getting Building Fund (GBF) funding which has been returned following the removal of the Swan Modular Housing Factory project from the GBF programme. This funding is currently unallocated and a process is ongoing to develop a new GBF prioritised project pipeline which will be used to allocate the available funding. This report provides an update on the development of the new GBF pipeline.
- 1.3. There continue to be a number of High Risk projects within the Capital Programme which are the subject of regular updates to the Accountability Board. In addition, there are key decisions which remain outstanding. It is important that these decisions are taken prior to March 2024 to ensure that the Capital Programme is in a strong position for handover to the Upper Tier Local Authorities. This report provides an update on the High Risk projects and summarises the outstanding decisions.
- 1.4. In December 2020, the Board agreed a new Local Growth Fund (LGF) prioritised project pipeline to support the reallocation of available funding. This pipeline consists of existing LGF projects which have reported a funding gap, either due to cost increases or loss of local funding sources due to the impacts of the COVID-19 pandemic. Given that a large number of projects within the LGF programme have now been completed and given the length of time that has passed since the pipeline was created, consideration has been given as to whether the projects remaining on the pipeline continue to meet the criteria agreed by the Board in 2020. The updated LGF project pipeline is set out in this report.

Further Information

2. Update 1: Development of new GBF prioritised project pipeline

- 2.1. SELEP was awarded a total of £85m GBF funding by the Department for Levelling Up, Housing and Communities (DLUHC). This funding was fully allocated to projects, however, over the course of the programme four projects have been removed. This has resulted in GBF funding totaling £11.35m being returned to Essex County Council (as the Accountable Body for SELEP), of which £2.049m remains unallocated. Funding is required by the SELEP Assurance Framework, to be allocated through a prioritised GBF project pipeline ; however, the current pipeline is now exhausted. Consequently, an approach to reallocating the available GBF funding needed to be established.
- 2.2. In July 2023, the Board agreed a process for developing a new GBF prioritised project pipeline which could be used to facilitate the reallocation of the available GBF funding and any further



GBF funding which is returned to the Accountable Body prior to the dissolution of SELEP. The approach adopted reflected established prioritisation processes and contained a number of criteria which projects are required to meet in order to be eligible to receive GBF funding, as set out below:

- 2.2.1. Projects must support the activities outlined in the SELEP Economic Recovery and Renewal Strategy.
 - 2.2.2. Projects must demonstrate that they are shovel ready and that they are subject to a short delivery programme, with full spend of the GBF funding to be achieved within 12 months of receipt of funding approval from the Board.
 - 2.2.3. There should be no barriers to delivery, such as outstanding permissions or consents. Any remaining barriers to delivery will render the project ineligible for receipt of GBF funding.
 - 2.2.4. Projects must demonstrate a robust need for investment with particular reference to the challenges created as a result of the COVID-19 pandemic.
 - 2.2.5. Project Business Cases must demonstrate High value for money or compliance with one of the exemptions outlined within the SELEP Assurance Framework.
 - 2.2.6. Projects must demonstrate that a full funding package is in place to support delivery
 - 2.2.7. Business Cases must demonstrate that consideration has been given to the impact of high inflation and interest rates on forecast costs.
 - 2.2.8. Projects which have previously been removed from the GBF programme cannot apply for funding.
- 2.3. The new GBF funding round was officially launched on 20 July 2023, with the issue of a Guidance Note (Appendix A). Following an open call for projects which was led by the four SELEP Federated Boards, a total of 24 applications seeking a total of £12.809m investment were submitted. Each Federated Board undertook a local prioritisation process which considered the fit of the projects with both the GBF criteria agreed by the Strategic Board and with local economic priorities. Following the conclusion of this process, 15 projects seeking a total GBF investment of £7.555m were put forward for consideration.
- 2.4. Each of the Business Cases submitted has been assessed against the criteria agreed by the Board (as set out above) and consideration has been given to any deliverability, benefits realisation or value for money risks. Each Business Case has been subject to a two-stage review by the Independent Technical Evaluator (ITE), including the opportunity for a discussion between the ITE and the scheme promoter.
- 2.5. This information, alongside the outcome of the Federated Board prioritisation process, informed a proposed SELEP-wide GBF prioritised project pipeline which was developed for consideration by the Investment Panel.
- 2.6. The Investment Panel met on 1 December 2023 to discuss and agree the new GBF prioritised project pipeline. The new pipeline is attached to this report (Appendix B) for information.
- 2.7. All projects prioritised for receipt of the available GBF funding will be subject to a funding decision at the January Accountability Board meeting.

3. Update 2: Summary of High Risk projects

- 3.1. The Accountability Board continues to receive regular updates on any projects within the Capital Programme which have been assessed as being High Risk. Whilst there has always been a desire to resolve the challenges faced by the High Risk projects allowing them to progress to delivery, there are a number of projects within the Capital Programme which remain subject to risks which if not resolved could result in the project being unable to deliver in accordance with the approved Business Case. These projects remain subject to further decision making by the Accountability Board.
- 3.2. In light of the decision by Government to not provide any further core funding to LEPs and to seek the transition of LEP activities to Local Authorities by 31 March 2024, it will be the responsibility of Accountability Board to ensure that the Capital Programme is in a strong position for handover to Local Authorities. Updates on the status of all High Risk projects and any required decisions regarding ongoing retention of LGF and GBF funding allocations will form a significant part of the agenda for the next two Accountability Board meetings.
- 3.3. To set the scene for the remaining Board meetings, an informal meeting was recently held with Accountability Board members. The meeting served as a reminder of the context within which the SELEP Capital Programme continues to operate as steps are taken to integrate LEP activities into Local Authorities. It also provided the opportunity for Accountability Board members to gain a shared understanding of the key risks and challenges faced by each of the High Risk projects and the decisions which need to be taken prior to the dissolution of SELEP. It should be noted that no decisions were taken during the course of this meeting. The report which was prepared in advance of this meeting is available at Appendix C.
- 3.4. A high level summary of the High Risk projects considered during the meeting is set out in Table 1 below. Information is also provided regarding outstanding decisions and the expected timeline for these decisions to be taken by the Accountability Board.

Table 1: High Risk projects – LGF and GBF

Project	Local Authority area	Funding stream	Grant Allocation (£m)	Identified Risk	Required Decision	Decision Timeline
A289 Four Elms Roundabout to Medway Tunnel Journey Time and Network Improvements	Medway	LGF	1.821	Delivery of the planned works was to be funded through Housing Infrastructure Fund (HIF) funding. This funding has now been removed by Government.	The Board need to be satisfied that the LGF funding spent to date continues to comply with the grant conditions. If the Board are not satisfied, the project will be removed from the LGF programme.	12 January 2024
Grays South	Thurrock	LGF	10.840	A full review of the project has been conducted by Thurrock Council following concerns around budget, cost, programme and value for money. LGF spend has been placed on hold whilst this review is undertaken.	Decision to be determined by outcome of project review but, as a minimum, is likely to require consideration of a project change request.	16 February 2024
London Gateway/Stanford le Hope	Thurrock	LGF	7.500	The project has experienced significant cost increases which has triggered the requirement to produce an updated Business Case to demonstrate ongoing compliance with the requirements of the SELEP Assurance Framework.	The Board will consider the updated Business Case and determine whether they are satisfied that the project continues to meet the requirements of the Assurance Framework and that the identified delivery risks have been fully mitigated.	16 February 2024
Purfleet Centre	Thurrock	LGF	5.000	LGF funding has been spent in accordance with the Business Case but there is a risk with regard to realisation of the forecast benefits.	If a significant reduction in forecast project benefits is identified, it will be necessary for the Board to consider a Change Request. Otherwise, no decision is expected.	TBC

Project	Local Authority area	Funding stream	Grant Allocation (£m)	Identified Risk	Required Decision	Decision Timeline
Queensway Gateway Road	East Sussex	LGF	10.000	Delivery of the final element of the scheme has been progressing very slowly and concerns have been raised regarding the funding package needed to complete the project.	The Board need to consider whether they are satisfied that the project can be delivered in accordance with the approved Business Case. This will be supported by information from East Sussex which provides an indicative programme, total project cost and funding package.	12 January 2024
A28 Sturry Link Road	Kent	LGF	5.900	Delivery of the project has progressed more slowly than anticipated due to a lengthy procurement process for a design and build contractor, extended negotiations in relation to one of the development sites due to financial contribution to the project and delays in publishing a Compulsory Purchase Order.	No decision expected unless any new risks are identified.	TBC
A28 Chart Road	Kent	LGF	2.756	Delivery of the planned works is to be funded through S106 contributions. The trigger point for these contributions has not yet been reached.	No decision expected unless there is an identified risk to the S106 contributions.	TBC

Project	Local Authority area	Funding stream	Grant Allocation (£m)	Identified Risk	Required Decision	Decision Timeline
Beaulieu Park Railway Station	Essex	LGF	12.000	HIF funding has been awarded to support project delivery and a risk to this funding was identified. This risk has been discussed with Homes England and a solution identified but a Deed of Variation to the Grant Determination Agreement (HIF) needs to be put in place before the risk is fully mitigated.	No decision expected unless any new risks are identified.	TBC
Better Queensway	Southend	GBF	4.200	Southend-on-Sea City Council's Joint Venture partner has withdrawn from the project creating a risk to project delivery.	Based on information provided by Southend-on-Sea City Council, the Board need to consider whether they are confident that the project will proceed to delivery in accordance with the approved Business Case.	12 January 2024



- 3.5. In addition to the projects outlined above, the Accountability Board will also be asked to consider any other projects which are identified as High Risk prior to the end of March 2024.
- 3.6. It is important that there is a clear position statement for all ongoing LGF and GBF projects so that all parties, including Central Government, are aware of the status of the projects and any ongoing risks which may impact on delivery or benefit realisation prior to the handover of the Capital Programme to Local Authorities.

4. Update 3: LGF project pipeline

- 4.1. Following the exhaustion of the previous LGF project pipeline, a process for development of a new pipeline was agreed by the Board in October 2020. It was agreed that the new pipeline would offer the opportunity for existing LGF projects to seek additional LGF funding, where the impact of COVID-19 had led to a funding gap due to cost increases and/or local funding sources no longer being available.
- 4.2. In order to be considered for additional LGF funding, scheme promoters were required to demonstrate:
 - 4.2.1. a legitimate case for why additional public sector investment was required in the project;
 - 4.2.2. that the project remained a strategic priority in supporting the COVID-19 economic recovery and/or in addressing the challenges presented by Brexit;
 - 4.2.3. that the project continued to present high value for money; and
 - 4.2.4. that if additional funding was awarded to the project, the project was in a strong position to proceed to delivery, with no substantial delivery risks.
- 4.3. It should be noted that the funding round was only open to live LGF projects. In addition, the LGF funding could only be sought to support the completion of existing LGF commitments (i.e. delivery of approved Business Cases), not to complete further phases of a previous intervention or to enhance the scope of existing schemes.
- 4.4. Following a prioritisation process, the Board agreed the new LGF project pipeline consisting of 20 projects in December 2020. It should be noted that three projects appeared on the LGF pipeline more than once by virtue of their total funding ask being split into parts to aid the prioritisation process.
- 4.5. Funding has now been awarded to the first 12 projects on the pipeline. In addition, a further two projects have been removed from the pipeline following receipt of confirmation that the additional funding was no longer required to support project delivery. The remaining LGF project pipeline is set out in Table 2 below.



Table 2: Current LGF prioritised project pipeline (as presented to September Accountability Board)

Project name	Current LGF Allocation (£m)	Additional LGF Requested (£m)
Southend Airport Business Park Part A	23.370	0.320
Southend Airport Business Park Part B		0.500
Southend Airport Business Park Part C		0.500
University of Essex - Parkside Phase 3	5.000	1.650
A13 Widening Part B	81.500	1.000
Dartford Town Centre Improvements**	4.300	1.000
Total	114.170	4.970

** subject to submission of a Business Case and completion of a review by the ITE

- 4.6. This pipeline will be used to facilitate the reallocation of any further LGF funding which is returned to the Accountable Body prior to the dissolution of SELEP. It is therefore important that the Board are confident that the pipeline remains fit for purpose.
- 4.7. Given the amount of time which has passed since the pipeline was agreed and in light of the increasing number of LGF projects which are now being reported as complete, consideration has been given as to whether the remaining projects continue to meet the criteria applied by the Board at the outset of the pipeline development process.
- 4.8. At the outset of the funding round, it was agreed that the additional funding should only be used to support live LGF projects. The most recent quarterly reporting submissions in relation to the Southend Airport Business Park project indicate that the project reached practical completion in July 2023. It is therefore considered that the project no longer meets this criterion meaning that the project will be removed from the pipeline.
- 4.9. Similarly, the Accountability Board have received regular updates on the A13 Widening project. The most recent update to the Accountability Board, in September 2023, indicated that the project is now complete (subject to completion of minor remediation works). As part of this update Thurrock Council officers indicated that the project is now in the post completion phase and therefore this project will also be removed from the pipeline.
- 4.10. Delivery of the University of Essex - Parkside Phase 3 and Dartford Town Centre Improvements projects is continuing and therefore these projects remain on the pipeline. The updated LGF prioritised project pipeline is set out in Table 3 below.

Table 3: Updated LGF prioritised project pipeline

Project name	Current LGF Allocation (£m)	Additional LGF Requested (£m)
University of Essex - Parkside Phase 3	5.000	1.650
Dartford Town Centre Improvements**	4.300	1.000
Total	9.300	2.650

** subject to submission of a Business Case and completion of a review by the ITE

5. Next Steps

- 5.1. The new GBF prioritised project pipeline will be used to inform the allocation of £2.049m GBF which is currently being held by the Accountable Body. The required funding decisions will be



taken by Accountability Board in January 2024. Government have indicated that their established GBF change control process continues to apply. Consequently, Government approval potentially at a ministerial level, will be required for all new projects being added to the GBF programme. Efforts will be made to submit the required Change Requests to Government at the earliest opportunity (following Investment Panel) to minimise the risk of delays to completion of required Variation Agreements and the release of the funding caused by outstanding Government approvals.

- 5.2. The Accountability Board will receive updates on all identified High Risk projects at each of its remaining meetings. These reports will help inform the remaining decisions and will allow the Accountability Board to make informed decisions regarding whether they are satisfied that projects remain in a position to deliver in accordance with their agreed Business Cases or if they should be removed from the LGF/GBF programmes.
- 5.3. As indicated in this report, there are a number of outstanding decisions which need to be taken in relation to the identified High Risk projects. Should any of the decisions require the return of LGF funding to Essex County Council (as Accountable Body for SELEP), the updated LGF project pipeline set out in this report will be used to inform the reallocation of this funding.

6. Comments from the Accountable Body

- 6.1. Essex County Council, as the Accountable Body, is responsible for ensuring that the funding awarded by Government is utilised in accordance with the conditions set for use of the Grant. LGF and GBF are both capital grants awarded by Government and are subject to the following condition:

The grant may be used only for the purposes that a capital receipt may be used for, in accordance with regulations made under section 11 of the Local Government Act 2003.

GBF

- 6.2. The cancellation of some GBF projects during the 2022/23 financial year required the return of GBF funding to the Accountable Body to be reallocated to other projects in accordance with the decisions of the Accountability Board. £2.049m of unallocated GBF funding continues to be held by the Accountable Body.
- 6.3. The Government are continuing to monitor spend of GBF as part of the annual review process, to ensure delivery remains in accordance with the SELEP Assurance Framework, which sets out the process for prioritising projects in accordance with the decisions of the Board.
- 6.4. Essex County Council is Accountable to DLUHC for ensuring that SELEP continues to operate in accordance with the agreed Assurance Framework; including decisions with respect to the allocation of funding. Any divergence from the Assurance Framework, in decision making will require support from the Accountable Body and be in line with the Government guidelines on LEP Transition.
- 6.5. Any decisions made by the SELEP Boards are required to be compliant with the condition for spend to be Capital and with the existing governance processes of SELEP until SELEP as a company is formally dissolved and any residual legacy issues are concluded or transitioned to the satisfaction of Essex County Council as the Accountable Body and Government.
- 6.6. All funding allocated through the GBF prioritisation process will be subject to approval by the SELEP Accountability Board and awarded through a funding agreement with the Accountable



Body that will set out the terms of use; the funding agreement will also include the circumstances under which funding may have to be repaid should it not be utilised in line with the conditions of the grant or in accordance with the Decisions of the Accountability Board.

- 6.7. Arrangements are being considered in respect to transferring Accountability for any GBF funding awarded by the Accountability Board following the prioritisation process to be transferred to the Lead Local Authority Partner following closure of the SELEP.

High Risk Projects

- 6.8. All LGF and GBF funding has been transferred to the respective Upper Tier Local Authority (UTLA), in accordance with the decisions of the Accountability Board and under the terms of a Service Level Agreement (SLA), which makes clear that funding can only be used in line with the agreed terms. Further, the SLA requires that the Partner Authority provides regular reports to the Accountable Body and the SELEP Secretariat, to enable quarterly reporting to the Board and Government in respect of project delivery and use of funding in accordance with the agreed terms.
- 6.9. The SLA also makes clear that it is the responsibility of the respective UTLA to secure any additional funding required to support project delivery.
- 6.10. Where projects are not being directly delivered by the UTLA, it is required that a back-to-back agreement is in place to transfer the requirements of the SLA in addition to any local requirements that may additionally be incorporated by the UTLA.
- 6.11. The projects highlighted within this update are identified as High Risk with respect to assuring delivery in accordance with the agreed Business Case. All projects identified have experienced delays in delivery timescales, including six that are identified with no confirmed completion date. The planned closure of SELEP and transfer of Accountability to the respective UTLA, it is necessary that this process is supported by a clear position statement for all High Risk projects, to provide assurance with respect to timescales for delivery and realisation of agreed outputs and outcomes to support the anticipated economic growth.
- 6.12. Any projects requiring a change to their agreed position prior to closure of the SELEP, will be expected to bring this forward at the planned Accountability Board meeting in January or February, in agreement with the SELEP Secretariat and the requirements of the funding agreement and the Assurance Framework. Any changes required post closure of the SELEP and the Board may require approval from Government.

LGF Pipeline

- 6.13. It is a requirement of the Assurance Framework that SELEP maintains a LGF pipeline that has been prioritised in accordance with the approach agreed by the Board. There is currently no unallocated LGF funding available to award to the projects on the pipeline; however, should funding be returned following the cancellation of any LGF Projects any reallocation of funding to projects on the pipeline remain subject to a decision by the Accountability Board.

7. Appendices, Supporting Documents and Previous Decisions

- 7.1. Appendix A: GBF reallocation process note
- 7.2. Appendix B: GBF Prioritised project pipeline

- 7.3. Appendix C: Summary of High Risk projects report to Accountability Board members
- 7.4. For further details contact: SELEP Capital Programme Manager, Helen Dyer
(helen.dyer@southeastlep.com)