

ACCOUNTABILITY BOARD

10:00	Friday, 08 April 2016	High House Production Park, Vellacott Close, Purfleet, Essex, RM19 1RJ
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Membership

Mr Geoff Miles
Cllr Kevin Bentley
Cllr Paul Carter
Cllr Rodney Chambers
Cllr Keith Glazier
Cllr John Kent
Cllr Ron Woodley
Angela O'Donoghue
Myroulla West

Chairman
Essex County Council
Kent County Council
Medway Council
East Sussex Council
Thurrock Council
Southend Borough Council
FE & Skills
HEI's

For information about the meeting please ask for:

Ian Myers
(Secretary to the Board)
ian.myers@essex.gov.uk
Tel: 03330134575

	Pages
1	Welcome and Apologies for Absence
2	Minutes To approve as a correct record the minutes of the meeting held on Friday 12 February 2016
	3 - 8
3	Finance Update - SELEP core budget To receive attached report
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4	Skills Capital Process and Round 4 allocations To receive attached report
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5	Business Case Approvals, including Independent Technical Evaluation To receive attached report
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6	Capital Programme Management Update To receive attached report
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7	Financial Delegations to the Secretariat To receive attached report
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8	Award of South East LEP ITE Contract To receive attached report
	191 - 196
9	Date of Next and Future Meetings To note that the next meeting will be held on Friday 10 June 2016 with future meetings on 16 September 2106 and 18 November 2016

**MINUTES OF A MEETING OF THE SOUTH EAST LOCAL ENTERPRISE
PARTNERSHIP ACCOUNTABILITY BOARD HELD AT HIGH HOUSE
PRODUCTION PARK, PURFLEET, AT 10.00AM ON 12 FEBRUARY 2016**

Present:

Geoff Miles	Chairman
Kevin Bentley	Essex County Council
Paul Carter	Kent County Council
Rodney Chambers	Medway Council
Angela O'Donoghue	FE + Skills
Rupert Simmons	East Sussex County Council
Ron Woodley	Southend Borough Council
Myroulla West	HEI's

Also in attendance:

Adam Bryan	SELEP
Kim Mayo	Essex County Council
Nicole Wood	Essex County Council
Dominic Collins	Essex County Council
Ruth Du-Lieu	Medway Council
Ross Gill	Kent County Council
Mike Rayner	SELEP
Lorna Norris	Essex County Council
Suzanne Bennett	Essex County Council
Lucy Spencer-Lawrence	SELEP
Richard Dawson	East Sussex County Council
Ben Hook	East Sussex County Council
John Shaw?	Sea Change Sussex
Sarah Nurden	Kent and Medway Economic Partnership
Edmund Cassidy	Steer Davies Gleave
Tom Higbee	Steer Davies Gleave
Steven Bishop	Steer Davies Gleave
Steve Cox	Thurrock Council
Emma Cooney	Southend Borough Council
Ian Myers	Essex County Council

1. Welcome and Apologies for Absence and Declarations of Interest

Apologies were received from Keith Glazier (substituted by Rupert Simmons) and John Kent.

Cllr Rupert Simmons informed Members he is a Councillor representative on the Board of Sea Change Sussex.

2. Minutes and Actions from Previous Meeting

The minutes of the meeting held on 13 November 2015 were agreed as a correct record and signed by the Chairman.

3. Local Enterprise Partnerships – Annual Conversation

Members received a verbal update from Adam Bryan which detailed:

- The Annual Conversation that took place in December 2015 and Government view on progress.
- The interim arrangements and progress with the appointment of the Chairman
- The positive outcome to funding negotiations

Cllr Paul Carter requested SELEP examine funding amounts given to Highways England and Rail Track. It was agreed an update be provided at the next meeting of the Board.

4. Finance Update – SELEP Budget and LGF Confirmation

Members received a report from Suzanne Bennett which gave updates on:

- The latest 2015/16 forecast outturn
- The 2016/17 funding position
- The continuing financial support by Local Authority partners

Members confirmed and **AGREED**:

- Partner contributions for 2016/17 (as match funding to the core grant of £250,000) as set out below:

Partner	£
East Sussex County Council	26,180
Essex County Council	71,760
Kent County Council	72,500
Medway Council	13,040
Southend-on-Sea Borough Council	8,400
Thurrock Council	8,120
Total	200,000

and **NOTED**:

- Negotiations with Government over the 2017/18 budget. Members agreed negotiations would be difficult and requested an update be taken to the next SELEP Board meeting.
- The Government letter on indicative funding levels for the Local Growth Capital Grant for future years.
- The current 2015/16 outturn forecast for the Secretariat Operating budgets
- Discussion was had around the need to push back to Government about the size of funding given to the SELEP. It was not proportionate given that the SELEP as one of the largest LEP's receive the same amount as the smallest LEP. SB confirmed she would take this up with BIS

- Members discussed future commitments and in light of recent Settlement announcements the SELEP would need to justify the level of funding needed in future years, as partners were in difficulties in committing the current levels provided.

Members also discussed the level of reserves and cautioned against creating a larger SELEP structure than was necessary.

5. Skills Capital Round 3

Members received a report from Mike Rayner which presented recommendations concerning the recent Skills Equipment bidding round.

The following projects were **AGREED**, as recommended by the Assessment Group:

- Sussex Downs College, Specialist Equipment for STEM Centre (**£74,913**)
- North Kent College, Construction of a realistic vehicle servicing centre and related equipment (**£141,850**)
- Colchester Institute, Braintree Campus, Science lab equipment (**£52,304**)
- Plumpton College, Building refurbishment and agricultural engineering equipment (**£88,474**)
- South Essex College, Basildon, Science to support the Health Professions (**£148,972**)

The following projects were **AGREED**, as recommended by the Assessment Group, subject to the project specific confirmations being sought:

- East Kent College, extension to construction centre and related equipment, up to **£1,360,000**, subject to the college providing clarification that it is unable to increase its contribution of match funding from the 8 percent currently offered;
- Harlow College, Digital Labs for the Construction, Health and Social Care and Science Sectors, up to **£350,000**, subject to the college confirming that none of the grant will be retrospectively applied against expenditure already incurred.
- Procat, Advanced Construction, Infrastructure and telecoms, up to **£309,422**, subject to the college confirming that all expenditure items meet the requirement for capitalisation.
- South Essex College, Thurrock, Creating a Centre of Excellence for logistics, **£27,407.36**, subject to the college confirming that their premises do not need alterations to accommodate the equipment.
- Hadlow College, Ashford Campus, Specialist Equipment Ashford phase 1a, **£427,500**, subject to the college confirming that all expenditure items meet the requirement for capitalisation and that the college has been recognised as an Apprenticeship Training Agency; this must be achieved in time for the grant to be defrayed by 31st March 2017.

The following projects were **DECLINED**, on the recommendation of the Assessment Group. Members **approved** the proposal to provide an opportunity

for re-submission of these business cases, in advance of any further bidding rounds, due to the strength of their Skills Funding Agency (SFA) assessment, with final approval being sought from the Accountability Board if successful:

- Mid Kent College, Swale Skills Centre equipment, **£198,500**
- Mid Kent College, Health Science Laboratory, Medway, **£235,062**

The following project was **DECLINED**, on the recommendation of the Assessment Group:

- Writtle College totalling **£264,558** for a Canine and Veterinary Therapy Unit (Phase 2)

Members agreed that a clear set of criteria should be developed by the SELEP Skills Advisory Group for all future bids and also agreed that permission from Government be sought to ring-fence to skills any unspent funding as at 31 March 2017.

6. Business Case Approvals, including independent technical evaluation

Members received a report from Adam Bryan which outlined the business cases for schemes brought forward through the Independent Technical Evaluator (ITE) process.

The following recommendations were assessed as robust and expecting to achieve high value and following discussion were **AGREED**:

- Folkestone Seafront (**£5.0m**)
- Southend and Rochford Joint Area Action Plan (JAAP) (Airport) (**£3.2m**)
- A28 Chart Road (**£10.2m**)
- Maidstone Integrated Transport Package (**£1.3m for 2016/17**) (Noting that funding approval was for the first year only)–
Paul Carter commented that this investment would not allow for more homes to be built in Maidstone but would contain congestion at current levels
- Rathmore Road Link (**£4.2m**)
- Swallow Business Park (**£1.4m**)
- Middle Deal Transport Improvements(**£0.8m**) (Noting a change from the previous title North Deal Improvements, as appears on the forward plan Ref FP/AB/022)
- Strategic Infrastructure Investment: Eastbourne, Bexhill and St Leonards on Sea (**£1.7m**) (noting a change from the previous title Sovereign Harbour, as appears on the Forward plan Ref FP/AB/012)

Members **noted** that the business case for Colchester Broadband Infrastructure has been reassessed through the full Independent Technical Evaluation process due to the significant change in the project's scope. The assessment concluded that this scheme still presents high value for money.

Members requested that progress updates for projects are brought to the Board as a standing item to ensure that members are sighted on where issues may lie early on

7. Capital Programme Management Update

Members received an update on the latest position for the Local Growth Deal Capital Programme and:

- **NOTED** the Quarter 3 position of the Local Growth Deal Capital Programme
- **APPROVED** the changes to projects as detailed in Appendix 2 for managing the forecast variances as set out in the latest position;
- **APPROVED** the application of 'Option 4' to any further slippage that may present between now and the end of the financial year;
- **NOTED** the potentially unmitigated underspend in relation to the Skills element of the Local Growth Deal Capital Programme; and
- **NOTED** the work that is currently being undertaken on future years of the programme.

It was agreed that at the next meeting of the Board, to be held on 8 April 2016, the following information be provided:

- A report detailing the final 2015/16 position
- Options for re-profiling in 2016/17
- Update of the full Local Growth Fund programme to 2020/21

8. Any Other Business

There were no further items of business

Kevin Bentley commented that there was a need for the Strategic Board decisions to be taken in the same robust manner as seen before the Accountability Board, and that each decision before them needs to be put and approved. He had issues around some decisions taken in that arena being approved by virtue of board members lack of challenge, and criticised some of the reports that had been put in recent times

9. Date of Next Meeting

It was noted the next meeting would be held on Friday 8 April 2016.

In principle agreement was also given to additional meetings, should they be required, to be held one hour before the commencement of Strategic Board meetings.

It was requested that the dates of the Board meetings be forwarded to all non-Board Members.

The meeting closed at 11.45am

Report to Accountability Board	Forward Plan reference number: FP/AB/031
Date of Accountability Board Meeting: 8 th February 2016 Date of report: 31 st March 2013	
Title of report: Finance Update – SELEP Core Budget	
Report by: Suzanne Bennett	
Enquiries to: Suzanne.bennett@essex.gov.uk	

1. Purpose of report

- 1.1. The purpose of this paper is to present the Secretariat budget for 2016/17 to Accountability Board for approval.

2. Recommendations

- 2.1. **TO APPROVE** the SELEP Secretariat revenue budget for 2016/17 as at table 1.

3. Background

- 3.1. At the meeting of the SELEP Strategic Board on 11th March 2016 a number of options on the business plan were presented by the Interim Director. The Strategic Board agreed that the mid-point, balanced resourcing plan should be applied.
- 3.2. The resourcing options had been worked up with the support of the Accountable Body and included a full review of all costs and potential income streams. This included retaining LGF monies until projects were ready, which could allow the SELEP to earn £206,000 of external interest and incorporates the interest accrued from GPF/SEFUND monies.
- 3.3. Table 1 overleaf shows the budget based on that requirement from Strategic Board. The Accountability Board are asked to approve this budget as the operating budget for the SELEP Secretariat. Previous year's budget figures are shown for comparison purposes.
- 3.4. Since Accountability Board's last meeting in February it has been confirmed that the full value of Government Grant for the general running costs of the Secretariat would be £500,000 as in the last three years.
- 3.5. The proposed budget has reduced by £139,000 from 2015/16. This is equivalent to 13% of 2015/16 operating budget. Given the pressures on local authority budgets and indications from Government that central support is likely to taper, it was prudent that the Secretariat went through a cost cutting exercise. The bulk of the

saving is due to the deletion of the Deputy Director post but a number of smaller savings have been applied to sector support budgets and general running costs.

- 3.6. At the recent LEP Network event it was announced that £20 million of Core Funding would be available for LEPs in 2017/18. In previous years the Core Funding has been a fixed £250,000 per LEP, however the 2017/18 pot will work on a challenge and bid process and therefore SELEP will have the opportunity to secure a proportion of funding more in line with its size in comparison to other LEPs.

Table 1

	16/17 Budget £000s	15/16 Budget £000s	Movement - £000's	Movement - %
Staffing - Secretariat	481	576	(95)	-16%
Staffing - Accountable Body	107	84	23	27%
Total Staffing	588	660	(72)	-11%
Meetings and administration	40	45	(5)	-11%
Chairmans Allowance	20	20	-	0%
Consultancy and Sector support	258	320	(62)	-19%
Total non staffing	318	385	(67)	-17%
Total expenditure	906	1,045	(139)	-13%
Contributions from reserves	-	(345)	345	-100%
Grant income	(500)	(500)	-	0%
Other OLA contributions	(200)	(200)	-	0%
External interest earned	(206)	-	(206)	0%
Total income	(906)	(1,045)	139	-13%
Net position	-	-	-	-

- 3.7. The South East LEP has also been awarded a specific Government Grant for the revenue costs of the Growth Hubs of £656,000. As this is a specific grant it will be held separately from the general budget and cannot be used to support the general costs of the Secretariat. The accountable Body will transfer £599,000 of the grant to local authority partners to support the Growth Hubs in operation in Essex, Kent and Medway and East Sussex.
- 3.8. The current forecast is that the SELEP reserve will be valued at £226,000 at the end of financial year 2015/16. A full review of the reserves will be conducted as part of the year-end process. This will include a reassessment of the potential severance cost liability that the SELEP is holding. This review will take place after the forthcoming recruitment of the Director and Capital Programme Manager. Potentially the staffing mix of the Secretariat could change. Previous severance cost assessments have been made on the basis that minimal Local Government service had been accrued. This was due to a number of staff moving into the sector and/or being in place on a seconded basis. As the Secretariat contains more directly employed staff and potentially with longer service histories it will be necessary to increase the monies held in the reserve to cover severance costs.

- 3.9. An update on the reserves will be presented to Accountability Board, along with the provisional outturn position for financial year 2015/16 at the June meeting.

4. Financial Implications

- 4.1. It is currently assumed that SELEP will be able to earn £206,000 of external interest through a combination of holding LGF monies for a longer period and GPF/SEFUND monies. There is a risk that rates won't be sufficient to achieve this target.
- 4.2. In addition, changes to how the GPF monies are held as a result of the ongoing work on SEFUND would also affect the levels of interest earned.
- 4.3. The Accountable Body advises that the Secretariat work closely with the ECC Treasury Management team to review interest rates received and forecast rates for the coming year on an at least quarterly basis.

5. Legal Implications

- 5.1. None at present.

6. Staffing and other resource implications

- 6.1. None

7. Equality and Diversity implications

- 7.1. None

8. List of Appendices

- 8.1. None

(available at www.essex.gov.uk if not circulated with this report)

9. List of Background Papers

- 9.1. None

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off Suzanne Bennett	 31 st March 2016

On behalf of Margaret Lee	
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Report to Accountability Board	Forward Plan reference number: FP/AB/013
Date of Accountability Board Meeting: 8 April 2016	
Title of report: Skills Equipment Fund Approval round 3, and Skills Capital Process	
Report by: Mike Rayner. Skills Lead	
Enquiries to : mike.rayner@kent.gov.uk	

1. Purpose of report

- 1.1 The purpose of this paper is to present recommendations regarding the recent Skills Equipment bidding round to inform the board's decisions about whether or not to accept the applications for funding, to consider a variation to Colchester Institute's project and approve a new process for distributing the remaining Skills Capital Funding.

2. Recommendations

The Board is asked to:

- 2.1 **Approve** the recommendations from the Assessment Group for the allocation of £235,062.89 from the Skills Equipment Fund to MidKent College, Health Science Laboratory, Medway. This money will support delivery of courses in the emerging growth sector of life sciences for the area.
- 2.2 **Approve** the recommendations from the Assessment Group for the allocation of £1,360,000 from the Skills Equipment Fund to East Kent College, Extension to construction centre and related equipment.
- 2.3 **Decline**, on the recommendation of the Assessment Group, MidKent College, Swale Skills Centre equipment bid of £198,500 following their resubmission for consideration.
- 2.4 **Approve** the variation to the project from Colchester Institute which reduces the LEP grant from £4m to £3.640m.
- 2.5 **Approve** a new process for distributing the remaining skills capital funds that devolves significant responsibility to the Employment and Skills Boards, as set out in Appendix B.

3 Background

- 3.1 The South East Local Enterprise Partnership (SELEP) was awarded £22m for skills capital projects in 2015. This was divided into two separate funding options, £18m for capital building projects and £4m for equipment, and to date £17.646m of the building capital fund has already been allocated and approved and £702,364 was allocated in the first equipment round.
- 3.3 The SELEP initiated the third bidding process for the capital equipment grant in October 2015. Organisations eligible to bid for the grant were defined as further education colleges and approved training organisations within the SELEP area that are on the Register of Training Organisations and hold a direct contract with the Skills Funding Agency to deliver education and training.
- 3.4 Bidders were expected to provide 50% match funding of the total cost of the equipment. Where bidders were only able to provide a lower level of match funding, bids were required to be assessed as compelling (i.e. score greater than 85 out of 96 in the evaluation) in order to be put forward for funding.
- 3.5 Grant sizes were to be normally in the range of £50,000 to £500,000 unless a compelling case could be made (Score 85/96 or higher). Bids in excess of £150,000 required an additional financial assessment by the Skills Funding Agency to provide assurance with regard to their financial plan.
- 3.6 Following approval by the Accountability Board on 12 February 2016 Midkent was invited to resubmit two bids relating to Swale Skills Centre and Health Science Laboratory. In addition the Accountability Board also sought further evidence support East Kent College's application before approval of their allocation.
- 3.7 Most bids for round 3 Skills capital were approved at the last Accountability Board. Those being presented this time require further consideration from the Board before the allocation is approved. The Scoring of the bids is set out in Appendix A.
- 3.8 Midkent college originally submitted their bids using the wrong paperwork and were unable to re-write their bids satisfactorily in time for the previous round. However, the Accountability Board approved their resubmission on 12 February 2016. Accordingly the bids were submitted and have been assessed by representatives from the Employment and Skills Boards (ESBs). The outcomes were:
- 3.8.1 MidKent College, Health Science Laboratory, Medway Scored 48/96, the minimum acceptable score to approve an allocation. This was not a unanimous decision. . The panel decided on a majority vote to recommend the funding allocation. Those in favour felt that the bid had met the minimum score required and would benefit a growth sector in Kent. The dissenting voter felt that overall the project was not strong enough to proceed.
- 3.8.2 MidKent College, Swale Skills Centre equipment scored 46/96, below the minimum acceptable score for allocating funds.

- 3.9 East Kent College applied for £1,360,000, 92% of their project costs. The Accountability Board considered the recommendations of the Skills Funding Agency on 12th February, and required the college to provide clarification that it is unable to increase its contribution of match funding from the 8 percent currently offered, by providing proof from their bank that they would be unwilling to lend money on this project before the allocation was ratified. The bank has provided an email to this effect, and therefore the decision has been returned for the allocation to be approved. Where colleges applied for amounts outside the criteria they had to demonstrate a compelling case. The case was judged to be compelling against the criteria set out in the Skills Capital Guidance. They particularly demonstrated the economic need, increased student numbers as a result of the project and how it would meet additional skills needs of local businesses. This clarification represents the final due diligence recommended by the Skills Funding Agency.
- 3.10 Colchester Institute was allocated £4m for a STEM centre at their Braintree Campus in round 1 by the Strategic Board on 20 March 2015. Planning permission has since been denied for the project. As a result they have submitted a revised proposal to deliver to the same objectives. The revised version of the project requests £3.64m from the SELEP, maintains the same ratio of match funding and delivers slightly increased outputs. It has been re-assessed by the Skills Funding Agency as acceptable. It is recommended that this variation is accepted without the college having to go through a new bidding round, and therefore their funding allocation should be reduced from £4m originally approved.
- 3.11 A total of £2.032m remains for a further round assuming that the recommendations in this report are approved. Rather than use the same process, the Skills Advisory Group has recommended that responsibility for prioritising of bids be devolved to the ESBs as they have requested an increasing role in the process. It was felt that SELEP had developed the skills and expertise to do this and the ESBs were in a good place to carry out this work. The Skills Funding Agency, who support the process is content with this. The final decision making remains with the Accountability Board and recommendations will be made by a panel of representatives from each ESB as happened in the previous rounds. Full guidance is set out in Appendix B, A Summary of the process is as follows:
- ESBs promote the fund and set local priorities/criteria.
 - ESBs do a paper sift of bids using a subgroup of members who do not have a conflict of interest.
 - ESBs run a presentation/discussion session with bidders using a subgroup of members who do not have a conflict of interest.
 - ESBs forward applications on to the LEP for independent evaluation as has been done before. All investment decisions will be agreed by the Accountability Board.
 - ESBs to ensure that match requirement is met or that there is a locally compelling case to allow bidders to request funds outside the stated guidelines.

Indicative allocation by ESB (based on population)

- Kent - £894,080
- Essex - £873,760
- East Sussex - £264,160

3.12 In considering this proposal, the Skills Funding Agency has worked with all ESBs, who have agreed the process set out within the guidance.

3.13 A timeline will be determined to ensure that the funds are spent by the end of March 2017.

3.14 It is recommended that the Accountability Board to approve this process.

4. Financial Implications

4.1 SELEP has received a £11m allocation in 2015/16 of Skills Funding as part of the Local Growth Fund (LGF) and a further £11m is being allocated in 2016/17. Of this total overall amount, £18.733m has been previously allocated and accepted by colleges; the recommendations in this report, if approved, will amend this as follows:

Funding for East Kent College	£1.360
Funding for Mid Kent College	£0.235
Reduction in Funding for Colchester Institute	<u>(£0.360)</u>

Total Unallocated Funding	£2.032
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4.2 To meet the Government's expectation of defrayal of LGF monies in the year it has been allocated, it is advised that there is a clear timetable for the proposed new approach to ensure that funding bids can be made and approved in a timely manner to ensure that the remaining unallocated funding can be defrayed by 31st March 2017.

The funding awarded to Colchester Institute for their STEM centre was approved on the basis that match funding would be provided; for grant to be transferred to the college under a grant agreement with the Accountable Body, confirmation of the match still being in place for the revised project will be required.

5 Legal Implications

5.1 All approved allocations will be required to enter into a Grant Agreement with the Accountable Body, which contains the obligations for monitoring and reporting, which will allow for updates to be received going forward.

6 Staffing and other resource implications

- 6.1 Resources will be required to monitor the spend and the targets to be achieved as agreed with the bidders. This will be delivered within individuals current workloads.

7 Equality and Diversity implications

- 7.1 None

8 List of Appendices

- 8.1 Appendix A - Skills Equipment bids collated with recommendations
8.2 Appendix B - ESB Guidance

(available at www.essex.gov.uk if not circulated with this report)

9 List of Background Papers

- 9.1 Full bid documents can be made available to board members confidentially and on request to the author.
9.2 Copy of SFA assessment on revised Colchester project
9.3 Copy of email evidence for East Kent College
9.4 Copy of Skills Capital guidance

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off Suzanne Bennett On behalf of Margaret Lee	 31 st March 2016

Appendix A SE LEP Skills Equipment bids collated with recommendations

Scoring Note:

- Compelling – 85/96
- Acceptable – 48/96

Bids recommended for approval

Organisation	Project	Items purchased/Buildings constructed or refurbished	Amount requested (£)	% of project	Score (/96)	Recommendation/Notes
MidKent College	Health Science Laboratory, Medway. Equipment to be used to teach bio-science courses in support of a local emerging growth sector	STEM equipment	235,062.89	50	48	This was a majority decision, not unanimous. One member of the panel wanted their opposition to the project minuted.
Total			235,062.89			

Bids recommended for refusal

Organisation	Project	Items purchased/Buildings constructed or refurbished	Amount requested (£)	% of project	Score (/96)	Recommendation/Notes
MidKent College	Swale skills centre. Equipment to be used to teach courses in local growth sectors.	Equipment to support: <ul style="list-style-type: none">• Science Lab• Motor Vehicle servicing• Welding and Fabrication• Plumbing• Electrical fitting	198,500	50	46	The bid not meet the minimum score for the allocation to be recommended.
Total			198,500			



South East Local Enterprise Partnership Skills Capital Fund 2015-16 and 2016-17 Application Guidance Round 4

1. Introduction

1.1 The South East LEP has launched its latest round of its Skills Capital Fund (SCF). The skills set of our residents and that within our businesses is vital to the growth ambitions of the area. The skills capital funding will be utilised in a way that supports the delivery of training and qualifications that respond to economic need and serve learners and employer alike. The LEP has a particular focus on supporting science, technology, engineering and mathematics (STEM) based disciplines that underpin our growth sectors. However, in supporting employment more widely the LEP also wishes to see increases in those skilled for and progressing in sectors where there is growing employment demand, such as the health and social care sectors and other sectors named in the LEP's Strategic Plan.

1.2 The main areas of focus for the LEP are –

- a) Improving the talent pool in support of priority sectors, particularly higher level skills
- b) Increasing participation of young people in work, education and training, with a focus on supporting priority sectors and skills gaps
- c) Improving the basic skills and employment of our residents to boost productivity and growth

Skills Capital Funding will be particularly geared at supporting a) and b) and these are more fully articulated in the South East LEP Skills Strategy (Annex B of this document). The South East LEP will also prioritise applications which support delivery in LEP priority sectors as set out in the Strategic Economic Plan

(http://www.southeastlep.com/images/uploads/resources/SECTION_2_South_East_LEP_-_Growth_Deal_and_Strategic_Economic_Plan_WEB-2%281%29.pdf) and local plans produced by member Local Authorities.

1.3 This round of Skills Capital funding is available for either capital (refurbishment/remodelling of buildings) or specialist equipment.

The South East LEP is now inviting the submission of applications to the Skills Capital (SCF) from eligible organisations – see 2.1 and 2.3 below. Submitting an application to the SCF does not guarantee that organisations will be awarded funding.

1.4 Involvement of Employment and Skills boards (ESBs)

In round 4 it will be the responsibility of ESBs to bring forward projects for the Skills Capital Fund. This is to ensure best fit with local priorities. **Providers should therefore engage with their ESBs before developing any projects.** ESBs should

- Engage with colleges and training providers in their areas to generate the bids.
- Provide a clear set of priorities/criteria for bidders.
- Prioritise projects locally and ensure that bids are submitted to the LEP.

The division of funds will be as follows:

Kent and Medway	44%	£894,080
Greater Essex	43%	£873,760
East Sussex	13%	£264,160

The overall amount may change as the capital programme develops and there may need to be some flexibility to accommodate as many bids as possible.

Bids will not be considered if they do not come via the relevant ESB.

2. Eligibility to bid

2.1 The SCF is available only to organisations located within the LEP's geographic area of the political geographies of East Sussex, Essex, Kent, Medway, Southend-on-Sea and Thurrock.

2.2 Eligible organisations are defined as FE colleges and approved training organisations that are on the Register of Training Organisations and hold a direct contract with the Skills Funding Agency to deliver education and training.

2.3 Applications for equipment can only be submitted from eligible organisations although eligible organisations may choose to work in partnership and use any award made under this Fund to deliver contractual targets. The asset must remain the property of the applicant.

2.4 Applications are only eligible if the organisation applying can contribute match funding.

2.5 Any application(s) received from an organisation that fails to meet these eligibility criteria will not be considered under any circumstances.

3. Project Eligibility Criteria

3.4 Applications can include:

- the purchase of specialist equipment.
- work to improve delivery and efficiency through digital technologies, including steps to improve technological infrastructure and service resilience. (For clarity, projects in this category should relate to elements such as infrastructure improvements, as opposed to the purchase of computers, electronic tablets and so on.
- enhancing (refurbishment or remodelling) specialist facilities – especially those reflecting LEP priority sectors where an urgent need exists.
- A combination of the above options i.e.: the purchase of specialist equipment and enhancing specialist facilities.

3.6 Applicants are reminded that the LEP will not in any circumstance provide increased capital grant should project costs exceed the approved amount.

3.7 In all cases, applicants must procure consultants and contractors and purchase equipment in accordance with European Commission (EC) Procurement Directives.

3.8 Eligibility of proposed capital works – the project should meet the usual Agency criteria, for example, exclude revenue items and meet the LEP's requirements regarding tenure, including any proposed leasehold arrangements. These include a minimum lease period of normally 20 years with no break clause and the permitted capitalisation of normally 10 years' rent (excluding revenue items such as business rates, service charges and insurance). Applicants should discuss the eligibility of proposed costs with the LEP before submitting funding applications.

4. Definition of Specialist Equipment

4.1 The aim of this Fund is to invest in specialist equipment and is not therefore to be used for standard items that may be provided/replaced from revenue costs. Eligible equipment is defined as any item that an eligible applicant is able to "capitalise" in its year-end accounts. Examples of eligible equipment are:

- Robotics lab
- Large pieces of equipment to deliver industry related courses
- IT equipment for specialist courses but not generic laptops/tablets/desktops etc. for general purposes.

4.2 In addition, all purchased equipment which receives SELEP grant support is to be used solely or mainly for the delivery of publicly funded education and training. This includes education and training that the Skills Funding Agency and Education Funding Agency fund.

4.3 SELEP will only pay costs of equipment and will not pay for the costs of, for example, procurement of such equipment (i.e. no revenue costs) or related ongoing costs.

5. Skills Capital Funds available

5.1 Approximately £x of Skills Capital funding is available across the 2016/17 financial year.

5.2 Where demand exceeds available grant support, we will prioritise projects based on overall score, with consideration given to budget implications. Should we have sufficient funds to cover all bids, they will still have to meet the criteria as set out in the guidance.

5.3 Grant funding is currently not available beyond financial year 2016/17 and therefore organisations must ensure sufficient project expenditure within the financial years 2015/16 and 2016/17 to draw down the requested level of grant support.

6. Minimum and Maximum Grants Available

6.1 The minimum grant value for SCF consideration will be £50,000

6.2 The maximum grant value for SCF consideration will be £500,000

6.x Grants outside this range will not be considered

6.3 SELEP reserves the right to negotiate maximum grant values with organisations, according to demand and budget availability.

6.4 Where an applicant is requesting a grant of more than £150,000 and/or the project costs more than £1m a financial plan must be completed. See Annex B for guidance and relevant documents.

6.5 Eligible organisations with more than one site may submit one application per site/geographic location. Applications would not be accepted from different sites within the same locality that are part of the same provider e.g. multiple departments of a provider in different buildings in the same town.

6.x If an organisation submits more than one bid, the total value must be considered when deciding whether or not a financial plan is required, not the amounts of individual bids.

7. Match Funding

7.1 Normally, we will expect organisations to provide a minimum funding contribution equivalent to one half of project value. That is, for every £1 from SCF, organisations should normally invest an additional £1. Where organisations are unable to provide the required match funding, this should be clearly stated.

7.2 Organisations unable to meet the minimum funding contributions are required to demonstrate a compelling business case (Scoring 85/96 or higher in Benefits to learners/Economic benefits) for enhanced public subsidy. The LEP would typically expect most of the underpinning investment criteria to be met through the provision of, for example:

- A succinct outline of the issue, identified where appropriate by employers and stakeholders, including the Local Enterprise Partnership (LEP), and clear baseline data.
- An explanation of how the project will address the issue, including clear and quantified targets/benefits/measures as appropriate. These should be realistic and achievable.
- How the organisation will work to achieve these targets/benefits, with clear references to how the project will support this.

8. Assessment information

8.x While bids are generated by the ESBs they will still have to be assessed by a panel of LEP representatives and score acceptably. The panel will consist of one representative of each ESB. It is likely that these representatives will be business representatives. This will be supported by a member of staff from the Skills Funding Agency (Subject to availability) and the LEP Skills Lead. Only the ESB reps will have rights to score.

Scoring Thresholds:

- Acceptable: 72/144
- Compelling 130/144

8.1 We will assess each application on the basis of the information that organisations provide on the application form. Organisations should not assume that the assessor will have any specific knowledge of the establishment and its locality. Assessors will review all assessments at an internal moderation panel to ensure the consistent application of the assessment process. Depending on the demand for the SCF and the quality of the applications submitted, SELEP may decide to adopt one or both of the following: declining some applications or potentially reducing the requested funding allocations to individual projects.

8.2 Applications will need to pass a gateway relating to eligibility, project value threshold, eligibility of project components. This will be assessed by the Skills Funding Agency. Should they pass the gateway; the final decision will be based on their scores in the sections:

- Benefits to Learners and Employers
- Supporting Economic Growth

Other sections are not scored but inform the understanding of the bid and ensure an accurate assessment.

Should the fund be oversubscribed we will also consider the scores from the gateway questions. To ensure that all applications are treated equally, the same criteria will be applied to capital and equipment bids

8.3 We will assess the relative strengths of each proposed project against the criteria summarised in 8.4. All projects will also need to demonstrate how they support the priorities listed in the LEP Skills Strategy (Annex A).

To score strongly, we would expect applications to contain

- A succinct outline of the issue, identified where appropriate by employers and stakeholders, including the Local Enterprise Partnership (LEP), and clear baseline data.
- An explanation of how the project will address the issue, including clear and quantified targets/benefits/measures as appropriate. These should be realistic and achievable.
- How the organisation will work to achieve these targets/benefits, with clear references to how the project will support this.

8.4 We will rank/prioritise projects according to the overall number of points scored against the assessment criteria. We would normally expect successful applications to score strongly in each of the following areas

i) Benefits to Learners and Employers (25% weighting) The 6 criteria in this section will score 0, 2, 4 or 6 The maximum score for the section is 36.

ii) Supporting Economic Growth (75% weighting) The 6 criteria in this section will score 0, 6, 12 or 18. The maximum score for the section is 108.

Scoring will be at 4 levels for each criteria:

- 0 points – no or very poor evidence against criteria.
- 2/6 – what you intend to do but little reference as to how this will achieve the desired outcomes. Inadequate data to fully demonstrate the point. Increases in provision not quantified.
- 4/12– what you intend to do with some evidence of how this will meet your objectives supported by data. Any increases in numbers mainly quantified. Most aspects of the criteria met.

- 6/18 – what you intend to do and how this will meet your objectives well supported by data. Any increases in numbers fully quantified showing a current base level and detailing the projected increase against this. All aspects of the criteria fully met.

Applicants must write their case against each criterion. They should not rely on evidence presented elsewhere in the document to demonstrate their case. It would be better to repeat information under each heading than assume those assessing the document will make connections with evidence presented elsewhere.

The technical/financial/capital gateway questions will be assessed by the SFA and will be scored red, amber or green. Any red scores will mean that a bid will not be considered. Should the fund be oversubscribed the number of green and amber scores will be considered as part of the decision making process.

9. State Aid

9.1 For organisations not covered by the Further and Higher Education Act (1992) there may be State Aid implications. State aid is a European Commission term referring to forms of assistance from a public body or publicly-funded body which is given to organisations engaged in economic commercial activity on a selective basis, with the potential to distort competition and affect trade between Member States of the European Union. State Aid rules are designed to regulate subsidies, and to provide a framework to assist public authorities in ensuring that scarce public resources are targeted where they are most required in an efficient and effective manner.

9.2 An overview of State Aid can be found at

http://ec.europa.eu/competition/state_aid/overview/index_en.html

State Aid is financial support that is provided by the State to business organisations and State Aid rules exist to avoid public funded interventions distorting competition within the European Union. Generally State Aid is prohibited and unlawful. However there are number of exemptions, which if they apply, render the State Aid lawful and permitted.

The relevant exemption in respect of this application is De Minimis Aid. For your application to be successful it must fall within the De Minimis Aid criteria. The relevant regulation is the Commission Regulation (EC) No 1998/2006 (De Minimis Regulations).

Under the De Minimis Aid criteria there is a De Minimis Threshold. Where an applicant, parent company or subsidiary receives aid, over a three year period that exceeds the threshold, they will not be entitled to De Minimis Aid.

To decide whether your application is eligible for De Minimis Aid we need to know if you or any company in your group of businesses have received state aid in the previous 3 financial years or expect to receive state aid in the next 3 financial years.

The De Minimis Threshold is €200,000 (approximately £167,000) over the 3 financial years. If some aid has been received by the undertaking in previous years but this does not exceed the De Minimis Threshold then funding may be granted up to the De Minimis Threshold level. The threshold applies to all aid received by a parent company/group of businesses rather than just a subsidiary.

Where the de minimis aid has been applied incorrectly then recovery will be for the full amount of the aid regardless of whether only part of it exceeds the threshold.

De Minimus Aid cannot be given in certain circumstances, these include:

- Aid to enterprises in road haulage operations for the acquisition of road freight transport vehicles.
- Towards the same costs that are being supported under another block exemption or notified scheme. It is unlawful to provide De Minimis Aid for costs being funded under the State Aid cover of an exemption or notified scheme, if it means the specific allowable aid intensity will be exceeded.
- Aid to enterprises in the agriculture sector (with the exception of those active in processing and marketing of agricultural products);
- Aid to enterprises active in the coal sector;
- Aid to undertakings in difficulty;
- Aid for export-related activities, namely aid directly linked to the quantities exported, to the establishment and operation of a distribution network or to other current expenditure linked to the export activity.

You also need to be aware that if the European Commission considers that you are not eligible for De Minimis Aid the amount of aid awarded will be recoverable from you; with interest. It is therefore important that you are confident that you meet the De Minimis Aid criteria.

The following is not a comprehensive list of all possible forms of State Aid. However, it should give you an indication of common forms of State Aid which you may have been given over the past three years. If you are in any doubt as to whether previous assistance received would constitute State Aid, please raise your concerns with us as soon as possible.

- Business rate reliefs on properties elsewhere in England
- State grants
- Interest rate relief
- Tax relief
- Tax credits
- State guarantees or holdings
- Direct subsidies
- Tax exemptions

9.3 Applicants are responsible for taking their own advice as to State Aid implications and must provide evidence to the LEP that State Aid restrictions will not apply to their applications. This is not an eligible cost as part of the application to the SCF

STATE AID DECLARATION

All organisations will be required to submit the state aid declaration found in the form. They should choose the appropriate declaration, copy it on to headed note paper and sign it.

10. Grant payments and project monitoring

10.1 Applicants with projects approved for the SCF will receive a letter from the LEP confirming the funding in relation to the project and setting out the conditions of the grant.

10.2 Applicants will be required to indicate acceptance of the terms by signing and returning a copy of the funding letter within two weeks of receipt.

10.3 Arrangements for payment of the SCF grant and evidence requirements will be confirmed on award of grant. Payment will be made in arrears.

10.4 The LEP will require successful applicants to comply with such funding conditions as it may impose and will undertake random site visits to ensure all conditions are followed.

10.5 The LEP will reserve the right to recover funds in the event that project costs (including VAT savings) are less than originally approved, or have not been used for the agreed purposes.

10.6 We expect applicants to provide updates on the project as requested to the LEP or their nominated representatives

11 Applying for Skills Capital Funding

11.1 Projects must be endorsed by the ESB before bids are made to SE LEP. Once this endorsement has been received, bidding organisations must submit their bids directly to the LEP rather than via the ESBs. The application form and related documentation is available on the LEP website (www.southeastlep.com).

11.2 Applicants will need to submit robust project information, covering:

- the rationale for the proposed project and the impact/benefits it will deliver;
- an explanation of how the project will deliver against the priorities listed in the LEP Skills Strategy (Annex A); and the ESB specific priorities/criteria (Annex C).
- evidence that the project represents value for money and the necessary matched funding requirements will be met;
- Before submitting an SCF application, organisations will need to develop proposals up to the stage where they can identify and cost their extent properly. Organisations must be able to commit to a firm budget and demonstrate relevant certainty and ability to deliver the project to timescale. Organisations are reminded that the LEP will not in any circumstance provide increased grant should project costs exceed the approved amount or fall outside the specified LEP financial year. We also expect capital development projects to achieve high levels of environmental performance and to achieve a Building Research Establishment Environmental Assessment Model (BREEAM) 'excellent' rating for new build and 'very good' for refurbishments.

Applicants **must** adhere to the word limit; we will not consider information provided over and above the word limit. Applicants are advised to provide focused and succinct responses, supported by robust, quantifiable and achievable information.

12. Application Process

12.1 The application comprises two forms:

- i. **Form A** relates to projects which comprise solely the acquisition of specialist equipment.
- ii. **Form B** relates to projects which comprise capital development works (refurbishment and remodelling) and can also contain equipment. If applicants have any doubts regarding the correct form to use, they should email the LEP at the following email address: mike.rayner@kent.gov.uk.

12.1 The table below summarises the timescales for the application, submission, assessment and approval processes for SCF SE applications:

Date	Action
	Make initial contact with the Local Employment and Skills Board representative.
	Submission of form to local ESB
	Presentations/discussions with local ESB subgroup.
	Endorsed providers to submit bids to SE LEP for independent evaluation process.
	Final decision by SE LEP accountability board.
	Target date for announcement of decision.

ESB contacts:

- Kent Skills Commission xxxx
- Essex ESB xxxx
- Skills East Sussex xxxx

See Annex C for ESB criteria for funding documents.

13. SCF Application Requirements

13.1 The SCF application requirements comprise completion and submission of the following items:

- **Application form** – guidance on how to complete the application form is included with the form itself, with applicants required to over-write and delete application guidance information. Incorporate all information into the application form, with the exception of the information requested below. Taking into account the limited time available to carry out assessments and approvals of the applications, applicants are required to keep answers brief and to the point – the application form contains guidance for length of responses (word limits apply to help keep the process manageable). When forms are submitted, a copy in Microsoft Word format must be included to facilitate the production of papers for the assessment process. You may wish to include a PDF for security purposes.
- **Programme** – planned completion date of the project.
- **Building cost breakdown analysis form [For capital development projects only]** – the application will need to include one form for the overall project but applicants should provide separate forms to support this where more than one set of building works is proposed. Where projects are in excess of the Agency's cost benchmark, (see SFA's cost model on the SFA's LEP support Page) applicants must provide a detailed explanation to justify the additional costs and to demonstrate that the project still represents value for money. The LEP will **not** provide the SCF to projects which are more than 5% in excess of the SFA's cost benchmark, unless applicants provide adequate justification of the additional costs.
- **Financial Plan/Forecast – required for bids requesting more than £150,000 and/or where the project costs more than £1m**
 - FE colleges – colleges should submit a financial plan using the latest college version which is available to download from the LEP Support page on the SFA's website. The financial plan should be for at least two years after project completion.
 - Non-FE colleges – non-college providers should submit a financial plan using the 'Simplified Financial Plan Template for non-college training organisations' (for completion by those providers applying for capital grant support and that do not submit a financial plan annually), which is available to download from the LEP support page on the SFA's website. The financial plan should be for at least two years after

project completion. This plan is also included in Annex B of this document and there is also a link to some guidance for completing it.

- **Investment appraisal template – for projects over £1 million** – the application will need to include investment appraisals in respect of both the base case (do minimum) and preferred option using the SFA's latest template, which is available to download from the LEP support page on the [SFA's website](#).
- **For projects including “in kind” grant contributions** – applicants should have early discussions with the LEP regarding the use of “in kind” contributions:
 - Donations of specialist equipment – applicants should provide appropriate auditable evidence to confirm the value of the specialist items before the project starts.
 - Waiver of rent – applicants must clearly identify and substantiate the tangible “in kind” contribution. The LEP's stance will be to allow the capitalisation and use of no more than five years of rent as an “in kind” contribution. Applicants cannot include any rent-free periods that would constitute a normal market concession as part of the contribution. Applicants must submit robust supporting evidence, including written confirmation of the contribution and an independent market valuation which identifies the normal incentives (such as rent-free periods) that the market offers, an open-market rental value and the average annual market rent, net of incentives.

13.3 Assessment of applications will be based only on the information submitted in the required format.

13.4 To be eligible for the SCF, organisations must meet the submission requirements set out below:

Applicants must return electronic copies of the signed and completed application form (Word and PDF format) and the required supporting information to Mike Rayner at South East Local Enterprise Partnership lep@essex.gov.uk and ensure that it is received by xxxx at 12noon. Please also cc mike.rayner@essex.gov.uk . If you have any difficulties sending the email please contact Mike Rayner on 07540 671663.

Please direct any enquiries to Mike Rayner, SELEP Skills Lead (Tel: 07540 671663, email: mike.rayner@essex.gov.uk)

In addition applicants must also ensure that the LEP receives **one** hard copy of the signed and completed application form at the following address by 10th December 2015

Lucy Payne
South East LEP Secretariat
c/o Essex County Council
D205, County Hall
Market Road
Chelmsford
CM 1 1QH

Without exception, we will **not** consider as eligible for the Skills Capital Fund Specialist Equipment any applicants that fail to submit both an electronic copy and hard copy of a signed and completed application in accordance with the submission requirements set out in the South East LEP Skills Capital Funding Specialist Equipment guidance document. Applicants must use the correct application form downloaded from the LEP website (www.southeastlep.com) and templates published by the SFA (links to which have been included in the relevant sections of the guidance document and application form).

Annex A

South East Local Enterprise Partnership Skills Strategy



SELEP Skills strategy
02 12 14.pdf

Annex B

Financial Plan documents

Financial plan and guidance for colleges available at:

<https://www.gov.uk/government/publications/financial-planning-handbook>

Financial plan for non-college providers:



Simplified_Financial_
Plan_template.xlsx

Guidance for non-college providers available at:

<https://www.gov.uk/government/publications/sfa-capital-funding-support-for-leps/sfa-capital-guidance-for-completing-simplified-financial-plan-template>

Annex C

ESB criteria for funding

Kent and Medway

Greater Essex

East Sussex

AGENDA ITEM 5

Report to Accountability Board	Forward Plan reference number: FP/AB/013, FP/AB/022, FP/AB/023, FP/AB/024, FP/AB/025, FP/AB/029, FP/AB/030
Date of Accountability Board Meeting:	8th April 2016
Date of report:	23rd March 2016
Title of report:	Business Case Approval
Report by:	Adam Bryan
Enquiries to:	adam.bryan@essex.gov.uk

1. Purpose of report

- 1.1 The purpose of this paper is to make the Board aware of the value for money assessment of business cases for schemes having been through the Independent Technical Evaluator (ITE) process to enable funding to be devolved to scheme sponsors (county and unitary councils) as part of our capital programme management.

2. Recommendations

- 2.1 The Board is asked to approve the business cases for the following schemes which have been assessed as presenting high value for money and medium to high certainty of achieving this:

- West Kent LSTF: Tackling Congestion (£4.2m)
- Eastbourne Town Centre Movement & Access Package (£2.5m)
- Thurrock Cycle Network (£1.8m)
- Kent Rights of Way Improvement Plan (£0.8m)
- Kent Strategic Congestion Management Programme (£0.7m)

- 2.2 The Board is asked to consider approving funding the following scheme which presents high value for money with low to medium certainty of achieving this:

- Kent Sustainable Interventions Programme (£0.5m)

Funding approval is permissible under SELEP's Assurance Framework under an exemption for schemes that present Benefit Cost Ratios greater than 1.5:1, but due to their low cost, the complexity and cost / effort to conduct further economic appraisal would be disproportionate to the value of the scheme.

2.3 The Board is asked to approve funding for the following scheme that has not been subject to Independent Technical Evaluation:

- A13 Widening – Project Development (£5m)

3. Background

3.1 This report brings forward, for release of funding, projects that have successfully completed the Independent Technical Evaluation process, a condition of our Assurance Framework agreed with Government. The projects are:

- **West Kent LSTF:** Tackling Congestion is a package of measures that will address the growing connectivity problems caused in West Kent by traffic congestion and a lack of capacity in the strategic road and rail networks, which is damaging business confidence and the competitive advantage that West Kent businesses have traditionally enjoyed. It will focus in particular on addressing the peak hour congestion caused by the school run and journeys to work by increasing the attractiveness of making door to door journeys by sustainable modes. Infrastructure improvements will be delivered at stations, town centres and key interchange points to facilitate multi-modal journeys using public transport, walking and cycling.
- **Eastbourne Town Centre Movement & Access Package:** There are high levels of planned housing and commercial development proposed within the strategic growth area of Eastbourne and South Wealden. The increased demand that this will place on the highway network requires a package of measures to improve access and movement within Eastbourne town centre that will be a critical element in supporting sustainable economic growth. The package will include:
 - public realm measures,
 - bus and rail integration, and
 - improved provision for pedestrians and cyclists in this corridor.
- **Thurrock Cycle Network:** The project will deliver a package of cycling and walking focussed at addressing barriers such as crossing facilities and missing routes to important destinations, such as railway stations. The new routes to be provided will be largely off-road, high-quality pedestrian and cycle infrastructure designed especially to attract would-be commuter cyclists who currently drive to work because of a lack of safe and convenient cycling infrastructure. The key outcomes for Thurrock delivering this project are:
 - improve cycling provision and pedestrian connectivity to increase the number of cycling and pedestrian journeys, reduce the number of vehicle trips in the borough, and reduce local congestion on key routes;
 - enhance local air quality ; and
 - improve the health of Thurrock's residents.

- **Kent Rights of Way Improvement Plan:** The scheme consists of a series of upgrades and the provision of new routes from areas of emerging development to local schools and employment facilities, enabling users to avoid heavily trafficked corridors subject to poor air quality. Not only will this encourage healthier sustainable travel but will also enhance national public rights of way networks through the creation of new links. The scheme will reduce the revenue costs of maintaining the existing rights of way network in the area. By shifting some trips away from car, the scheme will help address transport congestion in the targeted areas and in turn help unlock housing sites which otherwise may be unviable because of the additional traffic likely to be generated.
- **Kent Strategic Congestion Management Plan (KSCMP):** This scheme aims to maximise the efficiency of the local highway network. Without the investment required to both improve sustainable transport and to mitigate the existing and forecast levels of congestion in Kent, there is concern that the viability of ambitious employment and residential development, required to fulfil the strategic economic growth objectives of the SELEP sub-region, will be hampered. The implementation of the KSCMP will enable the creation of an estimated 2,000 jobs and 2,300 additional homes for the SELEP region within the six-year course of the scheme. It will help to provide a transport environment which makes it easier for businesses and employees to travel to, and for work.
- **Kent Sustainable Interventions Programme:** This scheme would involve the delivery of smaller schemes which bridge a gap to larger schemes. The sustainable transport schemes are designed to maximise the benefits of larger schemes by:
 - 'locking in' the decongestion benefits of highway schemes by encouraging modal shift;
 - increasing the usage of public transport schemes (including rail) by providing improved facilities to access the service;
 - improving sustainable access within and into developments; and
 - providing non-car access to public amenities.
- **A13 Widening – Project Development:** This is a major project within the Local Growth Fund. The Department of Transport confirmed that £75 million would be transferred to the SELEP to fund the project. Due to the size and complexity of this project, it would be a 'retained scheme'. Retained schemes require full sign off by the Department of Transport and DfT will continue to hold oversight of the project. In addition to this £75 million a further £5 million would be invested to allow Thurrock Council to carry out the development work necessary to build the full business case to be submitted to the Department for Transport. This funding formed part of the standard Local Growth Fund investment pot. As this funding is for the development of a business case there is no business case to go through an independent technical evaluation. Funding approval for development projects without an Independent Technical Evaluation is permissible under the SELEP Assurance Framework.

4. Financial Implications

- 4.1 Approval can be provided to schemes in principle as they meet the requirements of the agreed SELEP Assurance Framework. However, funding is subject to confirmation from Government of future years' Local Growth Fund allocations.
- 4.2 It should be noted that some schemes are subject to re-profiling requested as part of the Capital Programme Monitoring report presented to the board alongside this paper.

5. Legal Implications

- 5.1 None at present.

6. Staffing and other resource implications

- 6.1 None at present.

7. Equality and Diversity implications

- 7.1 None at present.

8. List of Appendices

- Appendix A: Report of the Independent Technical Evaluator.
- Appendix B: A13 Widening – Project Report

9. List of Background Papers

- West Kent LSTF: Tackling Congestion Business Case
- Eastbourne Town Centre Movement & Access Package
- Thurrock Cycle Network Business Case
- Kent Rights of Way Improvement Plan Business Case
- Kent Strategic Congestion Management Programme Business Case
- Kent Sustainable Interventions Programme Business Case

(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	31 st March 2016
On behalf of Margaret Lee	

APPENDIX A

Independent Technical
Evaluator – Growth Deal
Business Case Assessment
(Q4 2015/16 for Q1 2016/17
Starting Projects)

Gate 2 Report
April 2016

South East Local
Enterprise Partnership

Our ref: 22790502

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1 Independent Technical Evaluation of Q4 2015/16 for Q1 2016/17 starting Growth Deal Schemes

Overview

- 1.1 Steer Davies Gleave and SQW were appointed by the South East Local Enterprise Partnership in February 2015 as Independent Technical Evaluators. It is a requirement of Central Government that every Local Enterprise Partnership subjects its business cases and decision on investment to independent scrutiny.
- 1.2 This report is for the second gateway review ('Gate 2') of Full Business Cases for schemes which were allocated funding through the Growth Deal process during 2014/15 and are seeking funding in the first quarter (Q1) of 2016/17. Recommendations are made for funding approval on 8th April 2016 by the Accountability Board and the Section 151 Officer at Essex County Council as Accountable Body, in line with the South East Local Enterprise Partnership's own governance.

Method

- 1.3 The Gate 2 review provide comment on the Full Business Cases submitted by scheme promoters, and to comment on the strength of business case and the value for money being provided by the scheme, as set out in the business case.
- 1.4 Our role as Independent Technical Evaluator is not to purely assess adherence to guidance, nor to make a 'go' / 'no go' decisions on funding, but to provide information to the South East Local Enterprise Partnership Board to make such decisions, based on independent, technical expert, clear, and transparent advice. Approval will, in part, depend on the appetite of the Board to approve funding for schemes where value for money is not assessed as being high (i.e. where a benefit to cost ratio is below two to one and / or where information and / or analysis is incomplete).
- 1.5 The assessment is based on adherence of scheme business cases to Her Majesty's Treasury's *The Green Book: Appraisal and Evaluation in Central Government*¹, and related departmental guidance such as the Department for Transport's WebTAG (Web-based Transport Analysis Guidance) or the Homes and Communities Agency's *The Additionality Guide*. Both The Green Book, WebTAG and The Additionality Guide provide proportionate methodologies for scheme appraisal (i.e. business case development).
- 1.6 Pro forma have been developed based on the criteria of *The Green Book*, a 'checklist for appraisal assessment from Her Majesty's Treasury, and WebTAG. Assessment criteria were removed or substituted if not relevant for a non-transport scheme.
- 1.7 Individual criteria were assessed and the given a 'RAG' (Red – Amber – Green) rating, with a summary rating for each case. The consistent and common understanding of the ratings are as follows:
 - **Green:** approach or assumption(s) in line with guidance and practice or the impact of any departures is sufficiently insignificant to the Value for Money category assessment.
 - **Amber:** approach or assumption(s) out of line with guidance and practice, with limited significance to the Value for Money category assessment, but should be amended in future submissions (e.g. at Final Approval stage).
 - **Red:** approach or assumption(s) out of line with guidance and practice, with material or unknown significance to the Value for Money category assessment, requires amendment or further evidence in support before Gateway can be passed.

¹ Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

1.8 The five cases of a government business case are, typically:

- **Strategic Case:** demonstration of strategic fit to national, Local Enterprise Partnership and local policy, predicated upon a robust and evidence-based case for change, with a clear definition of outcomes and objectives.
- **Economic Case:** demonstration that the scheme optimises public value to the UK as a whole, through a consideration of options, subject to cost-benefit analysis quantifying in monetary terms as many of the costs and benefits as possible of short-listed options against a counterfactual, and a preferred option subject to sensitivity testing and consideration of risk analysis, including optimism bias.
- **Commercial Case:** demonstration of how the preferred option will result in a viable procurement and well-structured deal, including contractual terms and risk transfer.
- **Financial Case:** demonstration of how the preferred option will be fundable and affordable in both capital and revenue terms, and how the deal will impact on the balance sheet, income and expenditure account, and pricing of the public sector organisation. Any requirement for external funding, including from a local authority, must be supported by clear evidence of support for the scheme together with any funding gaps.
- **Management Case:** demonstration that the preferred option is capable of being delivered successfully in accordance with recognised best practice, and contains strong project and programme management methodologies.

1.9 In addition to a rating for each of the five cases, comments have been provided against Central Government guidance on assurance – **reasonableness** of the analysis, risk of error (or **robustness** of the analysis), and **uncertainty**. Proportionality is applied across all three areas.

1.10 Assessments were conducted by a team of transport and economic planning professionals, and feedback and support has been given to scheme promoters throughout the process through workshops, meetings, telephone calls and emails in March 2016.

2 Evaluation Results

Gate 2 Results

- 2.1 Table 2.1 below provides the results of our independent and technical evaluation of each scheme seeking funding approval on 8th April 2016 by the South East Local Enterprise Partnership Accountability Board. It includes both our interim assessment ('Gate 1 Assessment') of each Outline Business Case and the subsequent final assessment of the Full Business Case ('Gate 2 Assessment'). More detailed feedback has been issued to each scheme promoter and the secretariat of the South East Local Enterprise Partnership using a standard transport and non-transport assessment pro forma.

Summary Findings and Considerations for the Board

- 2.2 The following list contains recommendations to the Accountability Board, including key findings from the evaluation process and any issues arising.

Business Case Development

- 2.3 The **strategic case** continues to be well made, but we would ask scheme promoters to give greater consideration of alternative options and a stronger rationale for dismissing certain options related to the objectives of the scheme.
- 2.4 Scheme promoters are often carrying out well considered economic appraisals to assess the value for money of the scheme. However, in order to show the resilience of the value for money sensitivity testing is a requirement that is often overlooked, as well as inclusion of optimism bias and contingency (informed by experience and/or a quantified risk assessment).
- 2.5 The **management case** is often lacking a full benefits realisation plan and more consideration should be given to monitoring and evaluation plans.

Recommendations

- 2.6 The following schemes achieve high value for money and medium to high certainty of achieving this:
- West Kent LSTF: Tackling Congestion (£4.2m)
 - Eastbourne Town Centre Movement & Access Package (£2.5m)
 - Thurrock Cycle Network (£1.8m)
 - Kent Rights of Way Improvement Plan (£0.8m)
 - Kent Strategic Congestion Management Programme (£0.7m)
- 2.7 The following schemes achieve high value for money and low to medium certainty of achieving this:
- Kent Sustainable Interventions Programme (£0.5m)

Other Considerations

- 2.8 **A13 Widening – Project Development:** This is a major project within the Local Growth Fund. The Department of Transport confirmed that £75 million would be transferred to the South East Local Enterprise Partnership to fund the project. Due to the size and complexity of this project, it is a 'retained scheme'. Retained schemes require full sign off by the Department of Transport and they will continue to hold oversight of the project. In addition to this £75 million a further £5 million has been allocated to allow Thurrock Council to carry out the development work necessary to build the full business case to be submitted to the Department for Transport. This funding formed part of the standard Local Growth Fund investment pot. As this funding is for the development of a business case there is no business case to go through an Independent Technical Evaluation. Funding approval for development projects without an Independent Technical Evaluation is permissible under the Assurance Framework.

Table 2.1: Gate 1 & 2 Assessment of Growth Deal Schemes seeking Approval for Funding for Q1 2016/17

Scheme Name	Local Growth Fund Allocation (£m)	Benefit to Cost Ratio ('x' to 1)	Strategic Case Summary	Economic Case Summary	Commercial Case Summary	Financial Case Summary	Management Case Summary	Assurance of Value for Money		
								Reasonableness of Analysis	Robustness of Analysis	Uncertainty
West Kent LSTF: Tackling Congestion	4.2	GATE 1: 8.1	Green/ Amber	Red/Amber	Red/Amber	Red/Amber	Amber	Reasonable methodology with a need for a more detailed economic case.	There is some confusion over the economic case	A few inaccuracies within the economic case.
		GATE 2: 8.2	Green	Green/ Amber	Amber	Green	Green	A proportionate business case, with a clear and comprehensive economic case.	Confusion has been cleared up and accurate methodology has been employed.	Clarification of the economic case was provided. The analysis is reliable.
Eastbourne Town Centre Movement & Access Package	2.5	GATE 1: 4.65	Amber	Amber	Amber	Red/Amber	Amber	Reasonable methodology employed with improvement required in the commercial case	More clarity required over the assumptions used in the economic case	There are minor inaccuracies in the business case which reduce certainty.
		GATE 2: 4.65	Green	Green	Green	Green	Green	Methodology followed is reasonable and proportionate throughout.	Robust analysis has been carried out in this business case.	Inaccuracies have been cleared up and the business case provides a high level of certainty.
Thurrock Cycle Network	1.8	GATE 1: 2.9 (Middle Scenario)	Red/ Amber	Amber	Red	Red/Amber	Amber	Reasonable and proportionate method, but lacking significant sections of necessary analysis	Some sections are lacking sufficient robustness of analysis	There is some uncertainty, particularly around the commercial case.
		GATE 2: 2.9 (Middle Scenario)	Green/ Amber	Green	Green	Amber	Green/ Amber	Reasonable and proportionate method followed throughout.	Additional analysis has ensured that the analysis is robust.	The analysis gives a good degree of certainty.

Scheme Name	Local Growth Fund Allocation (£m)	Benefit to Cost Ratio ('x' to 1)	Strategic Case Summary	Economic Case Summary	Commercial Case Summary	Financial Case Summary	Management Case Summary	Assurance of Value for Money		
								Reasonableness of Analysis	Robustness of Analysis	Uncertainty
Kent Rights of Way Improvement Plan	0.8	GATE 1: 9.0	Green	Green/ Amber	Green/ Amber	Green/ Amber	Green/ Amber	Reasonable and proportionate method followed..	Robust analysis performed.	Some clarity required around funding requirement
		GATE 2: 9.0	Green	Green/ Amber	Green/ Amber	Green/ Amber	Green/ Amber	Reasonable and proportionate method followed.	Robust analysis performed.	The analysis gives a good degree of certainty.
Kent Strategic Congestion Management Programme	0.7	GATE 1: 2.9 (3.3 with reliability benefits included)	Green	Red/Amber	Red/Amber	Amber	Green/ Amber	Reasonable methodology with a need for improved economic and financial cases.	Robust analysis with a more comprehensive commercial case required	Some uncertainty about the resilience of the value for money.
		GATE 1: 3.0 (3.4 with reliability benefits included)	Green	Green/ Amber	Amber	Green/ Amber	Green	Reasonable and proportionate methodology has been carried out.	Improvements have been made and have provided robustly developed business case.	The analysis gives a good degree of certainty.
Kent Sustainable Interventions Programme	0.5	GATE 1: Assumed to be high based on comparable case studies	Amber	Red/Amber	Green	Green	Green	A reasonable and proportionate approach to the assessment of the scheme.	Use of benchmarking is sufficiently robustness give the low value of this scheme.	There is low certainty of the value for money of this scheme, but further economic appraisal would be disproportionate to the value of the scheme.
		GATE 2: Assumed to be high based on comparable case studies	Amber	Red/Amber	Green	Green	Green	A reasonable and proportionate approach to the assessment of the scheme.	Use of benchmarking is sufficiently robustness give the low value of this scheme.	There is low certainty of the value for money of this scheme, but further economic appraisal would be disproportionate to the value of the scheme.

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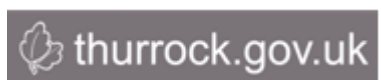
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A13 Widening – Project Report

Executive Summary

In July 2014, the Government announced a funding allocation for A13 widening of £5m for the development of the scheme plus up to £75m for delivery, as part of the Growth Deal for the South East Local Enterprise Partnership (SE LEP). In addition to the Government's funding, the Dubai Port World (DP World) will contribute a sum of £10m to the widening scheme.

This report sets out the progress that has been made in developing the A13 widening scheme since the announcement in 2014. It describes the background to the proposed scheme, the activities completed to date, and tasks that are in hand. It also contains the next steps following signing of the legal agreement with London Gateway that will lead to the appointment of the contractors to implement the widening in early spring 2017.

1. Introduction and Background

- 1.1 This report sets out the progress that has been made in developing the A13 widening scheme. It describes the background to the proposed scheme, the activities completed to date, tasks that are in hand and those that are planned.
- 1.2 The A13 is a vital strategic route for the South East of England and London forming a link of national importance. Regionally it connects communities and businesses along the Thames Gateway and South Essex and is a key strategic route linking development at the Ports of Tilbury and London Gateway, Grays, and Lakeside.
- 1.3 Thames Gateway is Europe's largest logistics park, with warehousing distribution and associated businesses, it will provide up to 13,000 new jobs by 2026. Additionally, the Port of Tilbury is likely to expand considerably adding an additional 1,600 to 3,800 new jobs by 2026.
- 1.4 A lack of capacity on the A13 restricts the competitive advantage such ports might offer and would have a similar affect upon the significant development agenda and potential economic growth of the Thurrock / South Essex region and beyond.
- 1.5 Thurrock Council has commissioned initial information gathering on A13 widening scheme in 2013. In support of widening of the A13 between Orsett Cock and The Manorway, a feasibility report and an outline business case were prepared and submitted for funding approvals to the Government via South East Local Enterprise Partnership (SE LEP). In July 2014, Government announced a funding allocation for the development of the A13 widening scheme of £5m with provisional up to £75m for its delivery, as part of the

Local Growth Fund (LGF) for SE LEP. The £5m profiled in 2016/17 for development work is included in a separate funding line – A13 Widening (Development)

- 1.6 In November 2014, Thurrock Council Cabinet authorised the then Director of Planning and Transportation, in consultation with the Leader of the Council, to enter into an agreement with the London Gateway (DP World) and to act as an agent for “the harbour authority” (DP World) under the Harbour Empowerment Order 2008. The Cabinet also endorsed the Director to carry out the tender processes and award contracts necessary for works to be carried out in advance of the main widening works, including consultancy services, detailed design, works, and removal of flora and fauna of the site as appropriate.
- 1.7 Since that time, the Thurrock Council Transportation and Highways team have continued to engage with the scheme funding bodies such as Department for Transport (DfT); SE LEP and the operators of London Gateway Port (DP World). This is to ensure all matters of governance and process are in place to allow funding to be secured and programme key dates met.
- 1.8 Much of the environmental assessment associated with the widening had been carried out for the development of the London Gateway Port. In order to assess the current situation consultants, Ecus, carried out environmental surveys in the area surrounding the length of the A13 to be widened during 2015. URS (AECOM) have been appointed to develop the preliminary design and will be reviewing the work done by Ecus to ensure all the environmental assessment needed, is done.
- 1.9 The Transportation & Highways Project Board are supported by staff from consultants Mott MacDonald in order to procure the next stages in scheme development. Land surveyors, Masons Land Surveys Ltd, were commissioned to carry out a topographic survey along the A13 and in adjacent land that would be affected by the widening. At the same time, a tendering exercise was carried out to commission consultants to produce the preliminary design of the widening. The commission also included the requirement to prepare tender documents for detail design and construction of the works. The contract for £1.7m preliminary design was awarded early in February 2016 by the then Director of Planning and Transportation, in consultation with the Leader.
- 1.10 The contract was awarded to URS (AECOM) and will include:
 - Development of the design to Preliminary Design stage resolving all uncertainties identified at Outline Design stage;
 - Preparation of tender documents and all associated works information required to allow detail design and construction contracts to be awarded through the Highways Agency Collaborative Delivery Framework (managed by Highways England);

- Technical support to the council during the Design and Build tender process;
- Technical and supervisory support to the Council during the construction phase of the works (subject to funding for works being secured); and
- Identification and support of procurement of any required advance works.

2. Issues, Options and Analysis of Options

- 2.1 Consultants Mott MacDonald have also been commissioned to prepare a full business case as required by DfT to secure funding for the works. A development of a business case involves setting out of strategic, management, financial, commercial and economic cases.
- 2.2 For the economic case, a transport model is essential to demonstrate the economic benefits and thereby calculate the Benefit Cost Ratio (BCR). The project team have liaised closely with Highways England and secured their approval to make use of their transport model developed for testing of the Lower Thames Crossing (LTC) options.
- 2.3 The routes proposed in the LTC consultation, launched by Highways England on 24 January 2016, have been designed on the basis that the A13 has already been widened to three lanes in each direction. It is recognised by the LTC project team that widening of the A13 is required in its own right and is not linked to the LTC. However, the use of the transport model developed for LTC options will save time and cost as it avoids the need to develop a transport model from scratch.
- 2.4 Legal agreements have been finalised between the Council and the London Gateways covering:
- **Works Licence** – London Gateway Port Limited (LGPL) grants the Council a licence to undertake the A13 widening works. LGPL authorises the Council access the A13 widening land pending transfer of the land to the Council. The Council indemnify LGPL against any liability related to the scheme.
 - **Works Agreement** - LGPL agrees to pay the Council an initial payment of £1.15m and a final payment of £750k towards the A13 widening scheme in lieu of their obligation to undertake works to the Orsett Cock roundabout.
 - **Land Acquisition Agreement** - this agreement provides for LGPL to acquire the land for the A13 widening and for the Council to agree the compensation for the land owner and to pay LGPL reasonable costs. It also provides for the land to be transferred to the Council and for the Council to indemnify and insure LGPL.
- 2.5 The next steps in the project involve the land purchase and the construction works which are to be progressed through powers embodied in the London Gateway Port Harbour Empowerment Order (HEO). The land agent will be appointed to represent the Council during any negotiations with landowners affected by the works and to liaise with DP World who will be acquiring the

land using their powers under the HEO. Once the land is acquired, it will be transferred to the Council.

- 2.6 Towards the end of summer 2016, tenders will be issued to a detail design and construction contractor. Tender sums received will be incorporated into the full business case whereby a robust BCR will be calculated. The BCR is a final prerequisite of the economic case which is required for a sign off of the full business case necessary for endorsement of £75m. The contract for detail design and construction will only be awarded on receipt of confirmation that all the promised funding is confirmed.
- 2.7 In order to avoid any delays due to seasonal environmental constraints on the main works it is proposed that the advance site clearance, involving removal of fauna and flora as per environmental expert's advice are planned for autumn 2016. The advance works will also include utility diversions and relocation of noise fences. The scale of this work will depend on cost and the availability of sufficient preparation funding.
- 2.8 The construction works are anticipated to start in 2017 and are expected to last two years. The works will include, widening of the carriageway, new street lighting, new signing, reconstruction of four bridges to increase their span and drainage works to avoid any increase in flood risk.
- 2.9 The proposed works are intended to involve traffic management on running lanes whilst the on-line A13 widening constructions are carried out on both sides of the existing carriageway. The concept was developed as part of the Planning Application for the creation of the London Gateway Port and therefore powers to carry out the work and to acquire land are embodied in the HEO. The construction options are restricted by the area of land covered by the powers and will be limited to innovation in detail design rather than any significant changes in alignment. The HEO powers expire in May 2018. Works must start before this date.

3. Consultation (including Overview and Scrutiny, if applicable)

- 3.1 The widening of the A13 was considered at the Public Inquiry into the proposed London Gateway Port. The principle of widening has therefore already been considered and the public has had the chance to comment on the proposals.
- 3.2 In addition to direct correspondence, a press release was issued to inform the public about the traffic management required for the survey of the existing carriageway.
- 3.3 Further direct correspondence and press releases will be issued prior to the next round of survey work required for development of the preliminary design.

4. Impact on corporate policies, priorities, performance and community impact

- 4.1 The A13 widening supports LEP policy priorities by encouraging and promoting job creation and economic prosperity.
- 4.2 An outline business case was produced in 2013 and carried out an assessment of how the proposed A13 widening contributed to Thurrock Council's policies.

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AGENDA ITEM 6

Report to Accountability Board	Forward Plan reference number: FP/AB/032
Date of Accountability Board Meeting: 8 th April 2016 Date of report: 30 March 2016	
Title of report: Capital Programme Management Update	
Report by: Adam Bryan	
Enquiries to: adam.bryan@essex.gov.uk	

1. Purpose of Report

1.1. The purpose of this paper is to:

- Update Accountability Board on the latest position for 2015/16 the Local Growth Deal Capital Programme;
- To present the proposed future year allocations for the programme; and
- Update Accountability Board on the delivery risk currently sitting on the programme.

2. Recommendations

2.1. The Board is asked to:

- **Note** the provisional Quarter 4 position of the Local Growth Deal Capital Programme (see Appendix 1 for dashboard position);
- **Note** the changes to projects as detailed in Appendix 2 for managing the forecast variances as set out in the latest position;
- **Note** the unmitigated underspend in relation to the Skills element of the Local Growth Deal Capital Programme;
- **Agree** the proposed future years indicative allocations (see Appendix 4);
- **Note** the update on LGF Round 3 and the inclusion of recommendations on the allocation the headroom on the programme to become part of that process; and
- **Note** the deliverability assessment that has been undertaken on future years of the programme (see Appendix 5 and Appendix 6).

3. Supporting Detail

In support of this paper, appendices contain:

- Appendix 1: Programme summary dashboard, including headline summary of 2015/16 forecast underspend and risk;
- Appendix 2: Table showing movement in variances from last reported position (February 2015)
- Appendix 3: Detail of all Local Growth Fund schemes including explanations on variances

- Appendix 4: Schedule showing proposed profile for 2016/17 to be agreed and indicative profiles for future years to note
- Appendix 5: Deliverability assessment process
- Appendix 6: Deliverability assessment

4. SELEP Capital Programme

- 4.1. At the November 2015 Accountability Board it was agreed that the options shown below in Table 1 2015/16 LGF Underspend Mitigation Options would be used to manage variances on the Local Growth Deal Capital Programme.
- 4.2. At the February 2016 Accountability Board the Board provided approval for additional underspends materialising in Q4 to be treated as slippage through Option 4.

Table 1: 2015/16 LGF Underspend Mitigation Options

Option	Description	Implications for SELEP
Option 1 - Bringing forward LGF spend on schemes in the 15/16 capital programme	<ul style="list-style-type: none"> • Bring forward spend where delivery can be advanced and additional spend incurred in 15/16 • Re-profiling of spend between funding sources and years for LGF projects in 15/16 programme. Total project cost and LGF cost unchanged and • LGF funding brought forward to spend in 15/16 	<ul style="list-style-type: none"> • Bringing forward spend is appropriate programme management measure at LA / FA level. • For re-profiling there would need to be a process / assurance in place to ensure that equivalent non-LGF money deferred is recycled into LGF programme. • Low risk option as ITE approval exists, and schemes generally are in delivery phase.
Option 2 – Bringing forward of 16/17 LGF schemes to spend in 15/16	<ul style="list-style-type: none"> • Advancing delivery of projects due to start in 16/17 to 15/16. 	<ul style="list-style-type: none"> • Fits with principle of devolution to Federal Areas • New schemes would be subject to ITE / approvals (as exception). No release of LGF funding prior to ITE assessment. • Limited scope for Promoters to do this at this point in the programme. • Medium risk, as required to go through ITE approval and spend in remainder of 15/16.

Option	Description	Implications for SELEP
Option 3 - Transfer of LGF spend on schemes between Partner authorities.	<ul style="list-style-type: none"> LGF spend directed to Local Authorities with schemes that could spend over and above the 15/16 allocation. Could either be within FAs or across FAs. 	<ul style="list-style-type: none"> Option would demonstrate collaborative working across LEP. Option would include a mechanism for 'payback' in future years so the pot for each FA / LA unchanged. Low risk option as ITE approval exists, and schemes generally are in delivery phase.
Option 4 – Re-profiling of spend between LGF projects and Capital Programme projects	<ul style="list-style-type: none"> LGF funding would be spent on non-LGF capital programme projects. The Promoter would recycle its deferred funding back to the LGF pot, such that total LGF allocation unchanged (over the programme) 	<ul style="list-style-type: none"> Need process / assurance in place to ensure that equivalent non-LGF money deferred is recycled into LGF programme. Low risk, as Capital Programme not subject to ITE process, and schemes generally in delivery phase.

4.3. Through Steer Davies Gleave (acting in this case as Interim Capital Programme Manager), meetings have been held with scheme promoters. At each meeting, scheme by scheme consideration was undertaken, with the risk of spend slippage identified and possible mitigations discussed. The 2016/17 and future year programme was also discussed.

4.4. The Programme Consideration Session then took place on 7th March to:

- Highlight schemes where there is a potential variation between forecast spend and allocations of 2015/16 LGF grant;
- Answer questions on particular schemes and the level of certainty in the short-term programme and hence ability to spend in 2015/16;
- Discuss and agree proposed mitigations (through Option 4) to ensure that the current year LGF allocation can be spent;
- Discuss the LGF schemes that each Promoter is looking to bring forward for spend in 2016/17, and the planned quarterly spend profile for 16/17 and annual spend profiles thereafter;
- Consider any implications of 2015/16 re-profiling on the 2016/17 programme, recognising the need to report both on the 2015/16 spend and provide confidence in the level of funding allocated and ability to deliver in 2016/17; and
- Develop recommendations for the Accountability Board based on the above.

4.5. The summary position for the Programme can be seen in Table 2 Quarter 4 2015/16 Forecast Position – Summary. Further detail can be found in the

Dashboard at Appendix 1 (please note the Dashboard does not include Skills Capital monies which is discussed in section 5 of this report).

Table 2: Quarter 4 2015/16 Forecast Position – Summary

Local Growth Schemes Quarter 4 2015/16 Forecast Position - Summary			
	Original Allocation	Forecast Spend	Forecast Variance
	2015/16	2015/16	2015/16
	£	£	£
Round 1 Schemes - 2015/16 Start			
Skills Capital Programme	11,000,000	9,923,360	(1,076,640)
Non Transport Schemes	2,050,000	530,000	(1,520,000)
Transport Schemes	56,400,000	35,741,500	(20,658,500)
Position as at end of Quarter 4	69,450,000	46,194,860	(23,255,140)
Future year projects with spend to be brought forward	-	10,381,000	10,381,000
Revised position as at end of Quarter 4	69,450,000	56,575,860	(12,874,140)

- 4.6. The net current position before mitigations is an underspend of £23.82 million, equivalent to 34% of the grant allocation for the year. This includes an underspend of £1.6 million on the Skills Capital Programme. In the majority of cases this is due to slippage in the projects and the spend will be picked up in 2016/17. Details on the individual projects can be found at Appendix 3. Nine projects with future year starts have been identified as being able to bring forward spend of £10.38m into this financial year. Spend on these projects will be dependent upon them receiving a recommendation of approval from the Independent Technical Evaluator and gaining approval from Accountability Board.
- 4.7. The underspent grant from the Skills Capital Programme element of the LGF will be carried forward and utilised in 2016/17. Government are aware of the underspend and the difference in approach for Skills.
- 4.8. The underlying position for the Programme, excluding the Skills variance, is £11.8m underspent. Local partners have requested to carry forward this amount using Option 4 whereby LGF monies are swapped out into local capital programmes in this financial year and local partners fund the spend in next year.
- 4.9. The Accountability Board is asked to note the individual changes from February as detailed in Appendix 2, and to note the £11.8m additional spend on 2016/17 or later starts, again with a reduction in spend in future years (Option 4).

5. SE LEP Skills Capital Programme

- 5.1. The final spend for the Skills Capital Programme for 2015/16 is £9.9 million resulting in an underspend of £1.1 million. This is equivalent to 10% of the original allocation.

- 5.2. Harlow College and Hadlow College have brought forward spend to offset the delays in other projects.
- 5.3. The Colchester Institute did not secure planning permissions for their project as it would have disrupted sightlines in a conservation area. They are currently reworking the project and finalising a new set of plans in consultation with the LEP, ECC and the local council. Their new project is larger and wider ranging. The Institute has submitted new plans which have been evaluated by the LEP and the Skills Funding Agency. They deliver slightly increased outcomes and the funding from the LEP will reduce from £4 million to £3.64 million.
- 5.4. The issues with planning permissions for the Braintree STEM project have meant a considerable underspend has been incurred in year of £1.6 million which makes up the major part of the variance.
- 5.5. The underspend will be carried forward to 2016/17. There is £2 million of the Capital Skills Programme Capital Pot to still be allocated and this will be allocated as part of a Round 4 process. Further details in changes to the process and recommendations to that process can be found at Item 4.
- 5.6. Following changes to the Colchester Institute project the allocation has been decreased from £4 million to £3.64 million and the majority of the spend is now expected to be incurred in 2016/17.

6. 2016/17 and Future Years

- 6.1. Discussions have been held with local partners to develop the spend profile for future years based on the LGF allocations and the latest Promoter programmes for each project. This has been used to inform the development of a revised LGF programme, based on the Promoter programmes.
- 6.2. Confirmation has now been received from Government that the grant to be paid will total £82.27 million, in line with our expectations, and will be received some time in April.
- 6.3. The detailed profile for the future years' of the programme can be found at Appendix 4.
- 6.4. Following discussions with local partners, the forecast profiled spend for next year exceeds this level by approximately £2.6m. The level of over-programming is comparatively small (around 3% of the grant allocation) and given that there are likely to be changes in forecast spend profile through to 2016/17, we do not recommend that any re-profiling is necessary or appropriate at this stage. There is sufficient funding for all projects over the life of the programme.
- 6.5. Accountability Board is requested to approve the allocations for 2016/17.

- 6.6. The future year indicative profiles have also been discussed with Promoters. Currently the programme is funded on an annual basis with no multi-year agreement from Government. Therefore, each year will require sign off on an annual basis but Accountability Board is asked to note the profiles for future years.
- 6.7. In addition to the over-programming in next financial year, it is currently thought that there may be approximately £8.3m headroom in the indicative allocations over the full course of the programme. The headroom is not available for allocation until the later years of the programme. Currently the risk of any overspends sits with the promoting authorities. Accountability Board may choose to hold the headroom to allow for increases in prices, especially those projects that are planned in later years. Given the announcement on LGF 3 it is now proposed that recommendations on how the headroom is allocated is considered as part of that process.

7. Local Growth Fund Round 3

- 7.1. At the annual LEP Network Conference Greg Clark announced that £1.8 billion next round of Local Growth Fund bidding was open. At time of writing, further details on the process for bidding haven't been released but it is understood that submissions will be made before the summer break and announcements made in the autumn. The Secretariat is working closely with officers from across the local authorities to ensure all submissions from the South East LEP are of the highest order.

8. Deliverability and Risk Assessment

- 8.1. At the February Accountability Board it was requested that further information was provided to the Board on the deliverability and risk of all schemes in the LGF programme. The approach to assessing deliverability risk is set out in Appendix 5.
- 8.2. The risk assessment is intended to help SELEP and Federal Areas to understand the realism of the programme and key programme risks, and to manage the programme accordingly. The purpose is not to affect the priority or status of any particular scheme (many of the schemes that are higher risk may also be higher priority in their ability to deliver key policy outcomes). Rather, the exercise is intended to provide an overview, at programme level, of the scale of nature of potential deliverability risks, and hence the consequent risk around the ability of SELEP (and Partners) to spend LGF funding to the planned profile.
- 8.3. The risk assessment will be updated quarterly and will form part of ongoing discussions with Promoters and be integrated into the SELEP programme management work.

8.4. An initial assessment of overall deliverability risk has been undertaken by the SELEP programme management team. This assesses the deliverability risk associated with each scheme, and considers:

- *Specific project risks* - these relate to Public and Stakeholder Acceptability, Feasibility, Planning Risk, Cost Risk / Affordability / Funding, Value for Money, Complexity / Dependence, Flexibility of Scheme. A 'RAG' assessment has been made against each of these deliverability criteria.
- *Risk outcomes* - The impact of individual risks on overall deliverability risk in terms of key outcomes - these are also RAG rated:
 - Programme risk - what is the a risk / likelihood that the scheme will be delivered later than planned?
 - Showstopper risk - what is the risk / likelihood that the scheme could be either cancelled or delayed beyond the LGF programme period - i.e. drop out of the programme?

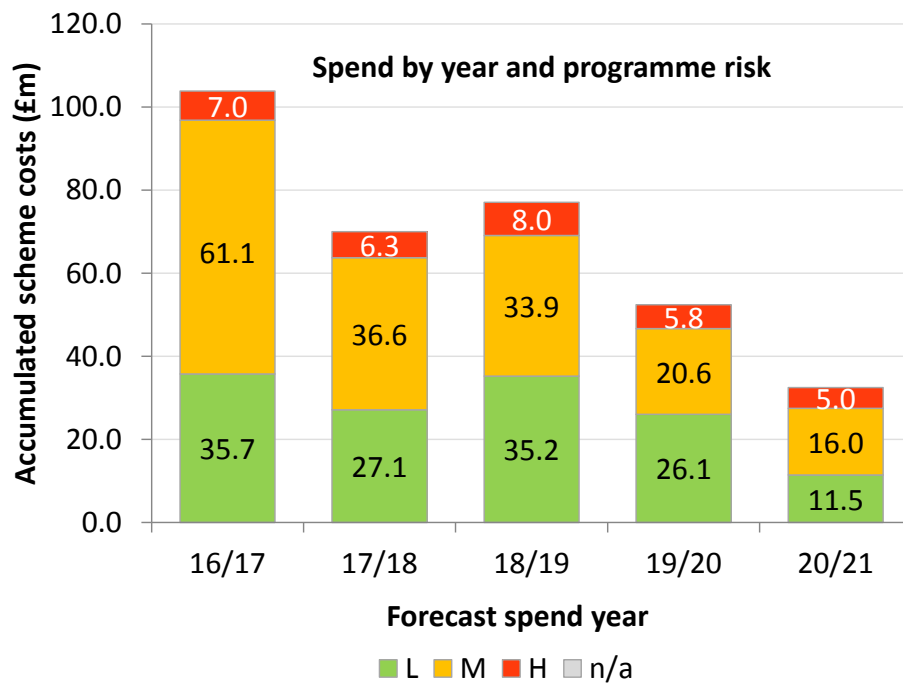
8.5. The results of the Deliverability Risk assessment are presented in Appendix 6.

The headline results of the risk assessment are:

- Of the 50 schemes currently spending, 23 (46%) present a medium programme risk, 25 (50%) present a low programme risk and 2 (4%) are not applicable (schemes are complete).
- Of the 26 schemes in the programme that are yet to spend, 6 (23%) present a high programme risk, 12 (46%) present a medium programme risk and 8 (31%) are a low programme risk.
- The schemes currently deemed high risk are:
 - 16/17 start
 - > **Ashford Spurs** (Kent) – funding gap
 - > **Dover Western Dock Revival** (Kent) – unresolved additionality issue
 - 17/18 start
 - > **Thanet Parkway** (Kent) – funding gap
 - > **Westhanger Lorry Park** (Kent) – scheme under review as DfT is separately looking at larger lorry park options in response to 'Operation Stack'
 - > **Beaulieu Park Railway Station** (Essex) – complex rail project with several stakeholders

Figure 1, below, shows the forecast spend associated with all schemes, split by programme risk level (Low, Medium, High) and year e.g. in 2016/17, £35.7m is forecast to be spent on schemes with a low programme risk.

Figure 1: Forecast scheme spend by programme risk level



9. Financial Implications

9.1. There are some concerns as to the level of the slippage that has been incurred in year. In total, after mitigations, the slippage is equivalent to 18.55 of the original grant agreement. Whilst some projects have been brought forward there is a risk that the level of slippage will continue to accumulate in 2016/17 potentially creating a delivery risk in later years as the levels of activity stack up.

9.2. A lack of proven delivery ability may also adversely affect allocations made under the latest round of Local Growth Fund. It is suggested that detailed report is made to Accountability Board in June updating on the slippage carried forward from 2015/16.

10. Legal Implications

10.1. None at present

11. Staffing and other resource implications

11.1. None

12. Equality and Diversity implications

12.1. None

13. List of Appendices

- Appendix 1: Programme summary dashboard, including headline summary of 2015/16 forecast underspend and risk;
- Appendix 2: Table showing movement in variances from last reported position (February 2015)
- Appendix 3: Detail of all Local Growth Fund schemes including explanations on variances
- Appendix 4: Schedule showing proposed profile for 2016/17 to be agreed and indicative profiles for future years to note
- Appendix 5: Deliverability assessment process
- Appendix 6: Deliverability assessment

(available at www.essex.gov.uk if not circulated with this report)

14. List of Background Papers

14.1. None

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

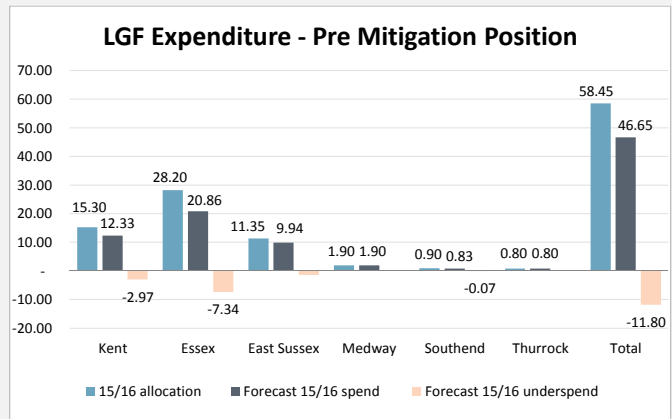
Role	Date
Accountable Body sign off Suzanne Bennett On behalf of Margaret Lee	31 st March 2016

LGF Expenditure - Pre Mitigation 2015/16 Position

	15/16 allocation	Forecast 15/16 spend	Forecast 15/16 underspend	Percentage underspend
Kent	15.30	12.33	-2.97	-19.4%
Essex	28.20	20.86	-7.34	-26.0%
East Sussex	11.35	9.94	-1.41	-12.4%
Medway	1.90	1.90	-	0.0%
Southend	0.90	0.83	-0.07	-7.8%
Thurrock	0.80	0.80	-	0.0%
Total	58.45	46.65	-11.80	-20.2%

Commentary and Risk

Underspend risk vs. 15/16 allocation (£m)	11.798
Percentage of spend as risk vs. allocation	-20.2%

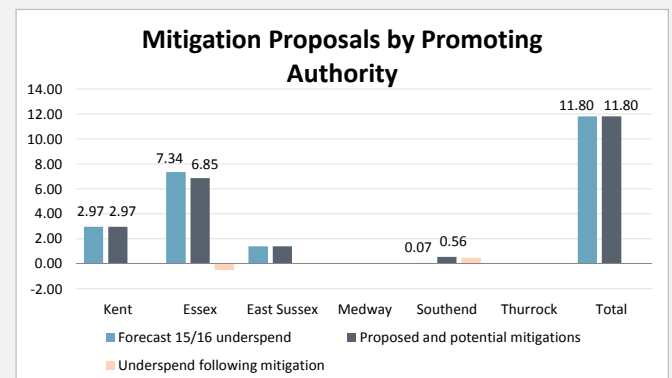


Proposed and Potential Mitigations, by Promoting Authority

	Forecast 15/16 underspend	Proposed and potential mitigations	Underspend following mitigation	Mitigation vs forecast underspend
Kent	2.97	2.97	0.00	100%
Essex	7.34	6.85	-0.49	93%
East Sussex	1.41	1.41	0.00	100%
Medway	0.00	0.00	0.00	0%
Southend	0.07	0.56	0.49	800%
Thurrock	0.00	0.00	0.00	0%
Total	11.80	11.80	0.00	100%

Commentary and Risk

Promoting authorities have sought to mitigate underspend within LA area. Forecast underspend fully mitigated based on Promoter proposals.

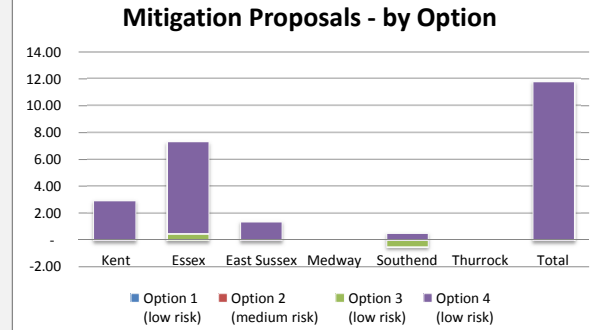


Breakdown of LGF Mitigation Proposals by Option (Q4)

	Option 1 (low risk)	Option 2 (medium risk)	Option 3 (low risk)	Option 4 (low risk)	Total
	Bringing forward LGF spend on schemes in the 15/16 capital programme	Bringing forward of 16/17 LGF schemes to spend in 15/16	Transfer of LGF between Partner Authorities	Re-profiling of spend between LGF projects and Capital Programme projects	
Kent	-	-	-	2.97	2.97
Essex	-	-	0.49	6.85	7.34
East Sussex	-	-	-	1.41	1.41
Medway	-	-	-	-	-
Southend	-	-	0.49	0.56	0.07
Thurrock	-	-	-	-	-
Total	-	-	-	11.80	11.80

Commentary and Risk

Slippage of LGF mitigated through transfer to Local Authority Capital Programme (to be returned to LGF next financial year)



Local Growth Schemes Changes from Q3 to Q4					
				Option Chosen	Notes
2015/16 Starts with variances					
Newhaven Flood Defences	(350,000)	(450,000)	(100,000)	Option 4	Covered by approval at February Accountability Board
Southend Growth Hub (SCAAP)	(16,000)	(70,000)	(54,000)	Option 4	Covered by approval at February Accountability Board
Kent and Medway Growth Hub	-	(1,000,000)	(1,000,000)	Option 4	Covered by approval at February Accountability Board
Tonbridge Town Centre Regeneration	(190,000)	(192,000)	(2,000)	Option 4	Covered by approval at February Accountability Board
Sittingbourne Town Centre Regeneration	(1,950,000)	(2,155,000)	(205,000)	Option 4	Covered by approval at February Accountability Board
M20 Junction 4 Eastern Overbridge	(1,380,000)	(1,255,000)	125,000		Offset against other underspends
A26 London Rd/ Speldhurst Rd/ Yew Tree Rd, Tun Wells	(390,000)	(396,000)	(6,000)	Option 4	Covered by approval at February Accountability Board
Kent Thameside LSTF	(300,000)	(310,000)	(10,000)	Option 4	Covered by approval at February Accountability Board
Maidstone Gyratory Bypass	40,000	40,000	-		
North Deal transport improvements	(400,000)	(400,000)	-		
Kent Sustainable Interventions programme	(350,000)	(336,000)	14,000		Offset against other underspends
West Kent LSTF	-	4,000	4,000		Offset against other underspends
Strood Town Centre Journey Time and Accessibility Enhancements	10,000	10,000	-		
Chatham Town Centre Place-making and Public Realm Package	(138,000)	(139,000)	(1,000)		Offset against overspend
Medway Cycling Action Plan	128,000	129,000	1,000		Offset against underspend
Colchester LSTF	(500,000)	(990,000)	(490,000)	Option 4	Covered by approval at February Accountability Board
Colchester Integrated Transport Package	(950,000)	(916,000)	34,000		Offset against other underspends
Colchester Town Centre	(2,300,000)	(3,861,000)	(1,561,000)	Option 4	Covered by approval at February Accountability Board
TGSE LSTF - Essex	-	(403,000)	(403,000)	Option 4	Covered by approval at February Accountability Board
A414 Pinch Point Package: A414 First Avenue & Cambridge Rd junction	(1,480,000)	(1,934,000)	(454,000)	Option 4	Covered by approval at February Accountability Board
Chelmsford Station / Station Square / Mill Yard	(1,000,000)	(1,100,000)	(100,000)	Option 4	Covered by approval at February Accountability Board
Basildon Integrated Transport Package	1,250,000	863,000	(387,000)	Option 4	Covered by approval at February Accountability Board
Queensway Gateway Road	(7,000,000)	(8,317,000)	(1,317,000)	Option 4	Covered by approval at February Accountability Board
Colchester Park and Ride and Bus Priority measures	1,000,000	1,000,000	-		
	(16,266,000)	(22,178,000)	(5,912,000)		
Future schemes bought forward					
North Bexhill Access Road	5,400,000	6,410,000	1,010,000		Project approved
Swallows Business Park	1,250,000	505,000	(745,000)		Project approved
Sovereign Harbour Innovation Park	700,000	440,000	(260,000)		Project approved
Maidstone Sustainable Access to Employment Areas	230,000	230,000	-		Project approved
A28 Chart Road	1,080,000	1,000,000	(80,000)		Project approved
A28 Sturry Road Integrated Transport Package	-	6,000	6,000		Project approved
Rathmore Road Link, Gravesend	1,740,000	1,740,000	-		Project approved
Maidstone Integrated Transport	70,000	50,000	(20,000)		Project approved
	10,470,000	10,381,000	(89,000)		
	(5,796,000)	(11,797,000)	(6,001,000)		

SCHEME_SUMMARY

Centrally Held Schemes - Non Transport

LOGAS Code	Scheme Name	Promoter	Federal Area	Total scheme cost	Total LGF cost	Planned LGF spend in 15/16 (£m). Based on Annual Allocation	Planned LGF spend in 15/16 (£m). Based on November Accountability Board agreed changes	Planned LGF spend in 15/16 (£m). Based on February Accountability Board agreed changes	Expected / Planned Spend for 15/16 (at Q4)	15/16 spend at risk	Summary / RAG / Comments [RAG Rating: Green = forecast to achieve forecast 15/16 spend, Amber = Change in spend vs planned allocation through either 1) known or potential risk of underspend in 15/16 or scheme or 2) Spend mitigation option	Programme Management Option
LGFSE1	Skills Capital Programme	Held centrally	n/a		22.0	11.0	11.0	11.0	11.0	0.00	Covered in separate paper.	

Retained Transport Schemes

LOGAS Code	Scheme Name	Promoter	Federal Area	Total scheme cost	Total LGF cost	Allocated LGF spend in 15/16 (£m). Based on Annual Allocation	Planned LGF spend in 15/16 (£m). Based on November Accountability Board agreed changes	Planned LGF spend in 15/16 (£m). Based on February Accountability Board agreed changes	Expected / Planned Spend for 15/16 (at Q4)	15/16 spend at risk	Summary / RAG / Comments [RAG Rating: Green = forecast to achieve forecast 15/16 spend, Amber = Change in spend vs planned allocation through either 1) known or potential risk of underspend in 15/16 or scheme or 2) Spend mitigation option	Programme Management Option
LGFSE37	A127 Fairglen Junction Improvements	DfT Retained Scheme	Essex	17.0	15.0	0.0	0.0	0.0	0.0	0.00	No spend in 15/16	n/a
LGFSE40	A127 The Bell	DfT Retained Scheme	TGSE	5.0	4.3	0.0	0.0	0.0	0.0	0.00	No spend in 15/16	n/a
SUMMARY				22.02	19.30	-	-	-		-		

East Sussex Projects

LOGAS Code	Scheme Name	Promoter	Federal Area	Total scheme cost	Total LGF cost	Planned LGF spend in 15/16 (£m). Based on Annual Allocation	Planned LGF spend in 15/16 (£m). Based on November Accountability Board agreed changes	Planned LGF spend in 15/16 (£m). Based on February Accountability Board agreed changes	Expected / Planned Spend for 15/16 (at Q4)	15/16 spend at risk	Summary / RAG / Comments [RAG Rating: Green = forecast to achieve forecast 15/16 spend, Amber = Change in spend vs planned allocation through either 1) known or potential risk of underspend in 15/16 or scheme or 2) Spend mitigation option	Programme Management Option
LGFSE2	Newhaven Flood Defences	East Sussex CC	East Sussex	9.000	1.500	0.750	0.400	0.400	0.300	-0.100	EA have underspent on their capital. Grant agreement confirmed.	Option 4
LGFSE23	Hailsham/Polegate/Eastbourne Sustainable Transport Corridor	East Sussex CC	East Sussex	3.530	2.100	0.300	0.000	0.000	0.000	0.000	Returning to Programme in 17/18	n/a
LGFSE24	Eastbourne and South Wealden Walking and Cycling LSTF package	East Sussex CC	East Sussex	10.560	8.600	0.300	0.600	0.600	0.600	0.000	On track	n/a
LGFSE35	Queensway Gateway Road (formerly A21 Barslow Link)	East Sussex CC	East Sussex	15.000	15.000	10.000	3.000	3.000	1.683	-1.317	Planning issues continue. The scheme has permission but is currently subject to a Judicial Review on air quality.	Option 4
16/17 Scheme brought forward (LGFSE51)	North Bexhill Access Road	East Sussex CC	East Sussex	16.700	9.000		5.400	5.400	6.410	1.010	Land acquisition constitutes majority of spend. On track	Option 4
16/17 Scheme brought forward (LGFSE49)	Swallow Business Park, Hailsham (A22/A27 Growth Corridor)	East Sussex CC	East Sussex	1.400	1.400		1.400	1.250	0.505	-0.745	Approved at Feb AB. Developer currently spending at risk.	Option 4
16/17 Scheme brought forward (LGFSE50)	Sovereign Harbour (aka Site Infrastructure Investment)	East Sussex CC	East Sussex	1.700	1.400		0.700	0.700	0.440	-0.260	Scope of scheme has changed. Now 3 scheme elements covering separate business parks. On track	Option 2, slippage is Option 4
Capital Programme Virement		East Sussex CC	East Sussex				0.000	0.000	1.412	1.412		Option 4
SUMMARY				57.890	39.000	11.350	11.500	11.350	9.938	0.000	Variance from Feb AB (inc. any mitigations)	
										-1.412	Variance from 15/16 Allocation	

Essex Projects

LOGAS Code	Scheme Name	Promoter	Federal Area	Total scheme cost	Total LGF cost	Planned LGF spend in 15/16 (£m). Based on Annual Allocation	Planned LGF spend in 15/16 (£m). Based on November Accountability Board agreed changes	Planned LGF spend in 15/16 (£m). Based on February Accountability Board agreed changes	Expected / Planned Spend for 15/16 (at Q4)	15/16 spend at risk	Summary / RAG / Comments [RAG Rating: Green = forecast to achieve forecast 15/16 spend, Amber = Change in spend vs planned allocation through either 1) known or potential risk of underspend in 15/16 or scheme or 2) Spend mitigation option	Programme Management Option
LGFSE4	Colchester Broadband Infrastructure	Essex CC	Essex	-	0.200	0.200	0.200	0.200	0.200	0.000	Project completed and money spent	n/a
LGFSE25	Colchester LSTF	Essex CC	Essex	2.000	2.000	2.000	2.000	1.500	1.010	-0.490	Stakeholder consultation > issues with cycle lane element of scheme continue. Further slippage forecast for Q4 15/16 but on the ground and due to make up shortfall in 16/17	Option 4
LGFSE26	Colchester Integrated Transport Package	Essex CC	Essex	13.000	5.000	2.200	2.600	1.250	1.284	0.034	Risk associated with additional delays to the delivery of Colne Bank widening project. Overall underspend slips to 16/17. ECC requesting delay of 16/17 allocation to 17/18 and 18/19.	Option 4
LGFSE27	Colchester Town Centre (Formerly Integrated Transport Package A)	Essex CC	Essex	5.000	5.000	5.000	3.200	2.700	1.139	-1.561	Risk associated with the non-delivery of the Lexden Road bus lane. Delays due to procurement negotiations and resourcing challenges.	Option 4
LGFSE28	TGSE LSTF - Essex	Essex CC	TGSE	5.000	3.000	2.400	3.000	2.400	1.997	-0.403	£600k at risk as RTI element may be deemed to be revenue rather than capital (hence not eligible for LGF). If so, will affect overall LGF cost.	Option 4
LGFSE31	Harlow A414 Enterprise Package (A414 Pinch Point [First Avenue & Cambridge Rd junction] plus Harlow Enterprise Zone)	Essex CC	Essex	15.105	10.000	7.100	5.620	5.620	5.166	-0.454	Delays on the ground due to issues with contractors. Utilities may be cheaper than forecast so the total scheme cost may come in lower than anticipated. £1.52m of LGF being used to forward fund GPF from Harlow Enterprise Zone	Option 4
LGFSE32	A414 Maldon to Chelmsford RBS	Essex CC	Essex	3.990	2.000	1.000	1.000	1.000	1.000	0.000	On track	n/a
LGFSE33	Chelmsford Station / Station Square / Mill Yard	Essex CC	Essex	7.900	3.000	1.500	1.000	0.500	0.400	-0.100	Dependent on NR and complicated by TOC / franchising. Delays resulting in £100k further slippage.	Option 4
LGFSE34	Basildon Integrated Transport Package	Essex CC	TGSE	13.000	9.000	1.000	2.250	2.250	1.863	-0.387	Delays to station forecourt works have resulted in additional slippage.	Option 4
LGFSE36	Colchester Park and Ride and Bus Priority measures	Essex CC	Essex	7.500	5.800	5.800	6.800	6.800	6.800	0.000	Complete	n/a
LGFSE38	A127 Capacity Enhancements Road Safety and Network Resilience (ECC)	Essex CC [Note funds held centrally by DfT]	Essex	8.500	4.000	0.600	0.600	0.600	0.600	0.000	On track	n/a
Transfer between ECC & Southend						-	0.490	0.490	0.490	0.000	Confirmed swap	Option 3
Capital Programme Virement	Wivenhoe Cycle Link Jaywick Roads Chelmsford City Growth Area Scheme Capital resurfacing schemes on PR1 network M11 J7a design work	Essex CC	Essex			-	-	3.490	3.361	3.361	Capital Programme Virements as follows: Wivenhoe Cycle Link - (£1.0m) will be used to offset Colchester schemes. Jaywick Roads (£0.75m) will be used to offset Colchester schemes. Chelmsford City Growth Area - early delivery of bus shelters at Sandon P&R (£0.25m) will be used to offset Colchester schemes. Capital resurfacing schemes on PR1 network (£1.45m) will be partially used to offset Colchester schemes (£0.95m) and partially Chelmsford Station (£0.5m). M11 J7a Design Work (£2.0m) and Capital Maintenance (£2.9m) may also be used if needed.	Option 4
SUMMARY				80.995	49.000	28.200	28.160	24.710	21.349	0.000	Variance from February AB (inc. any mitigations)	
						exc. retained scheme	exc. retained scheme	exc. retained scheme	exc. retained scheme	-7.341	Variance from 15/16 Allocation (exc. retained scheme and swap with Southend)	

Kent Projects

LOGAS Code	Scheme Name	Promoter	Federal Area	Total scheme cost	Total LGF cost	Planned LGF spend in 15/16 (£m). Based on Annual Allocation	Planned LGF spend in 15/16 (£m). Based on November Accountability Board agreed changes	Planned LGF spend in 15/16 (£m). Based on February Accountability Board agreed changes	Expected / Planned Spend for 15/16 (at Q4)	15/16 spend at risk	Summary / RAG / Comments [RAG Rating: Green = forecast to achieve forecast 15/16 spend, Amber = Change in spend vs planned allocation through either 1) known or potential risk of underspend in 15/16 or scheme or 2) Spend mitigation option	Programme Management Option
LGFSE3	Kent and Medway Growth Hub	Kent CC	Kent & Medway	-	6.000	1.000	1.000	1.000	-	-1.000	Will not spend until 16/17. Loan agreements being finalised but it will not be possible to make loans/validly account for them in 15/16 and hence will be made in Q1 of 16/17.	Option 4
LGFSE6	Tonbridge Town Centre Regeneration	Kent CC	Kent & Medway	6.680	2.400	2.000	1.800	1.810	1.808	-0.002	Further, minor, slippage identified	Option 4
LGFSE7	Sittingbourne Town Centre Regeneration	Kent CC	Kent & Medway	4.500	2.500	2.500	0.800	0.550	0.345	-0.206	Further slippage identified	Option 4
LGFSE8	M20 Junction 4 Eastern Overbridge	Kent CC	Kent & Medway	4.810	2.200	2.200	0.930	0.820	0.945	0.125	Overall slippage in 15/16 of £1.26m	Option 4
LGFSE9	A26 London Rd/ Speldhurst Rd/ Yew Tree Rd, Tun Wells	Kent CC	Kent & Medway	2.050	1.800	1.000	0.300	0.610	0.604	-0.006	Further, minor, slippage identified	Option 4
LGFSE10	Kent Thameside LSTF	Kent CC	Kent & Medway	7.650	4.500	2.400	2.100	2.100	2.090	-0.010	Further, minor, slippage identified	Option 4
LGFSE11	Maidstone Gyratory Bypass	Kent CC	Kent & Medway	5.740	4.600	1.000	0.800	1.040	1.040	0.000	On track	n/a
LGFSE12	Kent Strategic Congestion Management programme	Kent CC	Kent & Medway	4.800	4.800	0.800	0.800	0.800	0.800	0.000	On track	n/a
LGFSE13	North Deal transport improvements	Kent CC	Kent & Medway	1.550	0.800	0.400	0.050	-	-	0.000	BC not ready for spending this FY	n/a
LGFSE14	Kent Rights of Way improvement plan	Kent CC	Kent & Medway	1.300	1.000	0.200	0.200	0.200	0.200	0.000	On track	n/a
LGFSE15	Kent Sustainable Interventions programme	Kent CC	Kent & Medway	3.000	3.000	0.500	0.300	0.150	0.164	0.014	Local engagement protracted - some elements delayed until 2016/17	n/a
LGFSE16	West Kent LSTF	Kent CC	Kent & Medway	9.060	4.900	0.800	0.800	0.800	0.804	0.004	On track	n/a
LGFSE17	Folkestone Seafront : onsite infrastructure and engineering works	Kent CC	Kent & Medway	0.500	0.500	0.500	0.500	0.500	0.500	0.000	On track	n/a
16/17 Scheme brought forward (LGFSE47)	Maidstone Sustainable Access	Kent CC	Kent & Medway		2.000		0.250	0.230	0.230	0.000	£0.23m being brought forward from 16/17	Option 2
16/17 Scheme brought forward (LGFSE46)	A28 Sturry Rd Integrated Transport Package	Kent CC	Kent & Medway		0.300		0.050	-	0.006	0.006	While approved, scheme on hold until 2016/17 and so only £6k minimal expenditure todate.	Option 2
16/17 Scheme brought forward (LGFSE42)	A28 Chart Road	Kent CC	Kent & Medway		10.200		1.620	1.080	1.000	-0.080	£1.0m can be brought forward from 2016/17 allocation for spend with profile generally being brought forward.	Option 2 - slippage is Option 4
16/17 Scheme brought forward (LGFSE44)	A28 Sturry Link Road	Kent CC	Kent & Medway		5.900		0.331	-	-	0.000	BC not ready for spending this FY	Option 2
16/17 Scheme brought forward (LGFSE45)	Rathmore Road	Kent CC	Kent & Medway	9.500	4.200		2.460	1.740	1.740	0.000	£1.74m can be brought forward from 2016/17 main allocation. Three quarters of spend is land acquisition. Minor risk not spent by 31st March.	Option 2
16/17 Scheme brought forward (LGFSE43)	Maidstone Integrated Transport	Kent CC	Kent & Medway		8.900		0.070	0.070	0.050	-0.020	Minor slippage identified	Option 2 - slippage is Option 4
16/17 Scheme brought forward (LGFSE48)	Ashford Spurs	Kent CC	Kent & Medway		2.000		0.250	-	-	0.000	Removed from mitigations. Will not be ready for Feb Accountability Board. Moving back into 16/17 programme	-
Capital Programme Virement	Various	Kent CC	Kent & Medway				-	1.800	1.175	1.175	Various	Option 4
SUMMARY				61.140	72.500	15.300	15.411	15.300	12.326	0.00	Variance from February AB (inc. any mitigations)	
										-2.975	Variance from 15/16 Allocation	

Medway Projects

LOGAS Code	Scheme Name	Promoter	Federal Area	Total scheme cost	Total LGF cost	Planned LGF spend in 15/16 (£m). Based on Annual Allocation	Planned LGF spend in 15/16 (£m). Based on November Accountability Board agreed changes	Planned LGF spend in 15/16 (£m). Based on February Accountability Board agreed changes	Expected / Planned Spend for 15/16 (at Q4)	15/16 spend at risk	Summary / RAG / Comments [RAG Rating: Green = forecast to achieve forecast 15/16 spend, Amber = Change in spend vs planned allocation through either 1) known or potential risk of underspend in 15/16 or scheme or 2) Spend mitigation option	Programme Management Option
LGFSE18	A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements	Medway	Kent & Medway	18.600	11.100	0.500	0.500	0.500	0.500	0.000	May come in a bit lower than £0.5m. On-going design and investigation work. Can mitigate underspend by deferring Medway S106 and bring forward LGF this year. Survey in early April to spend LGF.	n/a
LGFSE19	Strood Town Centre Journey Time and Accessibility Enhancements	Medway	Kent & Medway	10.000	9.000	0.200	0.200	0.210	0.210	0.000	In design stage. Contract with Project Centre - on track to spend £210k in 15/16.	n/a
LGFSE20	Chatham Town Centre Place-making and Public Realm Package	Medway	Kent & Medway	6.900	4.000	1.000	1.000	0.862	0.861	-0.001	£861k forecast spend [Expecting £139k to be shifted from spending on Chatham to Strood (£10k) and Cycling Action Plan (£129k)]	n/a
LGFSE21	Medway Cycling Action Plan	Medway	Kent & Medway	3.000	2.500	0.100	0.100	0.228	0.229	0.001	On track to spend £229k in 15/16, accounting for Chatham under-spend	n/a
LGFSE22	Medway City Estate Connectivity Improvement Measures	Medway	Kent & Medway	2.000	2.000	0.100	0.100	0.100	0.100	0.000	On track	n/a
SUMMARY				40.500	28.600	1.900	1.900	1.900	1.900	0.000	Variance from February AB (inc. any mitigations)	
										0.000	Variance from 15/16 Allocation	

Southend Projects

LOGAS Code	Scheme Name	Promoter	Federal Area	Total scheme cost	Total LGF cost	Planned LGF spend in 15/16 (£m). Based on Annual Allocation	Planned LGF spend in 15/16 (£m). Based on November Accountability Board agreed changes	Planned LGF spend in 15/16 (£m). Based on February Accountability Board agreed changes	Expected / Planned Spend for 15/16 (at Q4)	15/16 spend at risk	Summary / RAG / Comments [RAG Rating: Green = forecast to achieve forecast 15/16 spend, Amber = Change in spend vs planned allocation through either 1) known or potential risk of underspend in 15/16 or scheme or 2) Spend mitigation option	Programme Management Option
LGFSE5	Southend Growth Hub	Southend	TGSE	-	6.720	0.100	0.590	0.084	0.030	-0.054	Unable to spend full allocation or ECC swap money due to issues with Clean Air Act. Southend to take ECC money, swap it into Capital Programme in 15/16, then back out in 16/17.	Option 3 - Transfer from ECC based on agreement at Nov Accountability Board. Slippage Option 4
LGFSE29	TGSE LSTF - Southend	Southend	TGSE	-	1.000	0.800	0.800	0.800	0.800	0.000	On track	n/a
LGFSE39	A127 Kent Elms Corner	Southend <i>[Note funds held centrally by DfT]</i>	TGSE	5.020	4.300	0.500	0.500	0.500	0.500	0.000	On track	n/a
LGFSE41	A127 Essential Bridge and Highway Maintenance - Southend	Southend <i>[Note funds held centrally by DfT]</i>	TGSE	8.000	8.000	0.400	0.400	0.400	0.400	0.000	On track	n/a
Capital Programme Virement	Various	Southend					-	0.506	0.054	0.054		Option 4
SUMMARY				13.020	20.020	0.900	1.390	0.884	0.830	0.000	Variance from February AB (inc. any mitigations)	
						exc. retained schemes	exc. retained schemes	exc. retained schemes		-0.070	Variance from 15/16 Allocation (exc. retained schemes)	

Thurrock Projects

LOGAS Code	Scheme Name	Promoter	Federal Area	Total scheme cost	Total LGF cost	Planned LGF spend in 15/16 (£m). Based on Annual Allocation	Planned LGF spend in 15/16 (£m). Based on November Accountability Board agreed changes	Planned LGF spend in 15/16 (£m). Based on February Accountability Board agreed changes	Expected / Planned Spend for 15/16 (at Q4)	15/16 spend at risk	Summary / RAG / Comments [RAG Rating: Green = forecast to achieve forecast 15/16 spend, Amber = Change in spend vs planned allocation through either 1) known or potential risk of underspend in 15/16 or scheme or 2) Spend mitigation option	Programme Management Option
LGFSE30	TGSE LSTF - Thurrock	Thurrock	TGSE		1.000	0.800	0.800	0.800	0.800	0.000	Elements being spent on may vary but all within the BC. On track.	n/a
SUMMARY				0.000	1.000	0.800	0.800	0.800	0.800	0.000	Variance from February AB (inc. any mitigations)	
										0.00	Variance from 15/16 Allocation	

END

Local Growth Schemes
2016/17 Profilled Allocations and 2017/18 Onwards Indicative Allocations

				Transferring to	Status	2015/16 - ACT £	2016/17 £	2017/18 £	2018/19 £	2019/20 £	2020/21 £	Total £	Original total £	Difference £	
Projects in flight (with adjustments for 15/16 mitigations)															
LGFE0001	LGFS01	Skills Capital Programme	Held centrally	Approved		9,923,360	12,076,640	-	-	-	-	-	22,000,000	22,000,000	-
LGFE0002	LGFS02	Newhaven Flood Defences	East Sussex CC	Approved		300,000	800,000	400,000	-	-	-	-	1,500,000	1,500,000	-
LGFE0003	LGFS03	Kent and Medway Growth Hub	Kent CC	Approved		-	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	-	6,000,000	6,000,000	-
LGFE0004	LGFS04	Colchester Broadband Infrastructure	Essex CC	Approved		200,000	-	-	-	-	-	-	200,000	200,000	-
LGFE0005	LGFS05	Southend SCAAP - Non Transport	Southend	Approved		30,000	690,000	2,000,000	2,000,000	2,000,000	-	-	6,720,000	6,720,000	-
LGFE0006	LGFS06	Tonbridge Town Centre Regeneration	Kent CC	Approved		1,808,000	592,000	-	-	-	-	-	2,400,000	2,400,000	-
LGFE0007	LGFS07	Sittingbourne Town Centre Regeneration	Kent CC	Approved		344,500	2,155,500	-	-	-	-	-	2,500,000	2,500,000	-
LGFE0008	LGFS08	M20 Junction 4 Eastern Overbridge	Kent CC	Approved		945,000	1,255,000	-	-	-	-	-	2,200,000	2,200,000	-
LGFE0010	LGFS10	Kent Thameside LSTF	Kent CC	Approved		2,090,000	810,000	500,000	400,000	400,000	300,000	-	4,500,000	4,500,000	-
LGFE0011	LGFS11	Maidstone Gyrotray Bypass	Kent CC	Approved		1,040,000	3,560,000	-	-	-	-	-	4,600,000	4,600,000	-
LGFE0013	LGFS13	North Deal transport improvements	Kent CC	Approved		-	800,000	-	-	-	-	-	800,000	800,000	-
LGFE0017	LGFS17	Folkstone Seaford : onsite infrastructure and engineering works	Kent CC	Approved		500,000	-	-	-	-	-	-	500,000	500,000	-
LGFE0018	LGFS18	A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements	Medway	Approved		500,000	1,100,000	4,500,000	5,000,000	-	-	-	11,100,000	11,100,000	-
LGFE0019	LGFS19	Strood Town Centre Journey Time and Accessibility Enhancements	Medway	Approved		210,000	1,250,000	3,990,000	3,550,000	-	-	-	9,000,000	9,000,000	-
LGFE0020	LGFS20	Chatham Town Centre Place-making and Public Realm Package	Medway	Approved		861,000	818,000	2,321,000	-	-	-	-	4,000,000	4,000,000	-
LGFE0021	LGFS21	Medway Cycling Action Plan	Medway	Approved		229,000	1,000,000	1,271,000	-	-	-	-	2,500,000	2,500,000	-
LGFE0022	LGFS22	Medway City Estate Connectivity Improvement Measures	Medway	Approved		100,000	300,000	800,000	800,000	-	-	-	2,000,000	2,000,000	-
LGFE0023	LGFS23	Halsham/Polegate/Eastbourne Sustainable Transport Corridor	East Sussex CC	Approved		-	-	2,100,000	-	-	-	-	2,100,000	2,100,000	-
LGFE0025	LGFS25	Colchester LSTF	Essex CC	Approved		1,010,000	990,000	-	-	-	-	-	2,000,000	2,000,000	-
LGFE0026	LGFS26	Colchester Integrated Transport Package	Essex CC	Approved		1,284,000	-	1,858,000	1,858,000	-	-	-	5,000,000	5,000,000	-
LGFE0027	LGFS27	Colchester Town Centre	Essex CC	Approved		1,139,000	3,861,000	-	-	-	-	-	5,000,000	5,000,000	-
LGFE0028	LGFS28	TGSE LSTF - Essex	Essex CC	Approved		1,997,000	1,003,000	-	-	-	-	-	3,000,000	3,000,000	-
LGFE0029	LGFS29	TGSE LSTF - Southend	Southend	Approved		800,000	200,000	-	-	-	-	-	1,000,000	1,000,000	-
LGFE0030	LGFS30	TGSE LSTF - Thurrock	Thurrock	Approved		800,000	200,000	-	-	-	-	-	1,000,000	1,000,000	-
LGFE0031	LGFS31	A414 Pinch Point Package: A414 First Avenue & Cambridge Rd junction	Essex CC	Approved		5,166,000	2,834,000	2,000,000	-	-	-	-	10,000,000	10,000,000	-
LGFE0032	LGFS32	A414 Maldon to Chelmsford RBS	Essex CC	Approved		1,000,000	1,000,000	-	-	-	-	-	2,000,000	2,000,000	-
LGFE0033	LGFS33	Chelmsford Station / Station Square / Mill Yard	Essex CC	Approved		400,000	1,575,000	1,025,000	-	-	-	-	3,000,000	3,000,000	-
LGFE0034	LGFS34	Basildon Integrated Transport Package	Essex CC	Approved		1,863,000	88,000	1,868,000	1,868,000	1,868,000	1,445,000	-	9,000,000	9,000,000	-
LGFE0036	LGFS35	Queensway Gateway Road	East Sussex CC	Approved		1,683,000	4,317,000	-	-	-	-	-	6,000,000	15,000,000	(9,000,000)
LGFE0037	LGFS36	Colchester Park and Ride and Bus Priority measures	Essex CC	Approved		6,800,000	(1,000,000)	-	-	-	-	-	5,800,000	5,800,000	-
Total						43,022,860	44,275,140	25,633,000	16,476,000	5,268,000	2,745,000	137,420,000	146,420,000	(9,000,000)	
Projects in flight - 1 year approval only															
LGFE0009	LGFS09	A26 London Rd/ Speldhurst Rd/ Yew Tree Rd, Tun Wells	Kent CC	Approved - 1st yr only		604,000	196,000	1,000,000	-	-	-	-	1,800,000	1,800,000	-
LGFE0012	LGFS12	Kent Strategic Congestion Management programme	Kent CC	Approved - 1st yr only		800,000	800,000	800,000	800,000	800,000	800,000	-	4,800,000	4,800,000	-
LGFE0014	LGFS14	Kent Rights of Way Improvement plan	Kent CC	Approved - 1st yr only		200,000	200,000	150,000	150,000	150,000	150,000	-	1,000,000	1,000,000	-
LGFE0015	LGFS15	Kent Sustainable Interventions programme	Kent CC	Approved - 1st yr only		164,000	550,000	600,000	600,000	586,000	500,000	-	3,000,000	3,000,000	-
LGFE0016	LGFS16	West Kent LSTF	Kent CC	Approved - 1st yr only		804,000	1,396,000	700,000	700,000	700,000	600,000	-	4,900,000	4,900,000	-
LGFE0024	LGFS24	Eastbourne and South Wealden Walking and Cycling LSTF package	East Sussex CC	Approved - 1st yr only		600,000	750,000	500,000	1,750,000	2,500,000	2,500,000	-	8,600,000	8,600,000	-
Total						3,172,000	3,892,000	3,750,000	4,000,000	4,736,000	4,550,000	24,100,000	24,100,000	-	
Projects in flight - brought forward for approval early															
LGFE0085	LGFS51	North Bexhill Access Road	East Sussex CC	Approved		6,410,000	6,190,000	4,000,000	-	-	-	-	16,600,000	5,000,000	11,600,000
LGFE0066	LGFS49	Swallows Business Park	East Sussex CC	Approved		505,000	895,000	-	-	-	-	-	1,400,000	1,400,000	-
LGFE0067	LGFS50	Sovereign Harbour Innovation Park/Strategic Infrastructure	East Sussex CC	Approved		440,000	1,260,000	-	-	-	-	-	1,700,000	1,700,000	-
LGFE0055	LGFS47	Maidstone Sustainable Access to Employment Areas	Kent CC	Approved		230,000	1,770,000	-	-	-	-	-	2,000,000	2,000,000	-
LGFE0054	LGFS46	A28 Sturry Road Integrated Transport Package	Kent CC	Approved		6,000	40,000	254,000	-	-	-	-	300,000	300,000	-
LGFE0038	LGFS42	A28 Chart Road	Kent CC	Approved		1,000,000	1,000,000	1,000,000	6,000,000	1,200,000	-	-	10,200,000	10,200,000	-
LGFE0053	LGFS45	Rathmore Road Link, Gravesend	Kent CC	Approved		1,740,000	2,460,000	-	-	-	-	-	4,200,000	4,200,000	-
LGFE0039	LGFS43	Maidstone Integrated Transport	Kent CC	Approved - Feb 1 yr only		50,000	1,250,000	2,000,000	2,000,000	3,600,000	-	-	8,900,000	8,900,000	-
Total						10,381,000	14,865,000	7,254,000	8,000,000	4,800,000	-	45,300,000	33,700,000	11,600,000	
Later starts not yet brought forward															
LGFE0041		Thanet Parkway	Kent CC	Not approved		-	-	4,000,000	6,000,000	-	-	-	10,000,000	10,000,000	-
LGFE0040	LGFS44	Sturry Link Road	Kent CC	Not approved		-	1,000,000	2,450,000	2,450,000	-	-	-	5,900,000	5,900,000	-
LGFE0042		Hastings and Bexhill junction capacity improvements package	East Sussex CC	Not approved		-	-	1,500,000	1,500,000	1,500,000	1,500,000	-	6,000,000	6,000,000	-
LGFE0043		Hastings and Bexhill LSTF walking and cycling package	East Sussex CC	Not approved		-	-	-	2,000,000	2,000,000	2,000,000	-	6,000,000	6,000,000	-
LGFE0044		Eastbourne town centre LSTF access & improvement package	East Sussex CC	Not approved		-	2,495,000	505,000	1,500,000	1,500,000	-	-	6,000,000	6,000,000	-
LGFE0045		Southend and Rochford SCAAP (Southend Central Area Action Plan) - Transport Package	Southend	Not approved		-	1,000,000	2,000,000	2,000,000	2,000,000	-	-	7,000,000	7,000,000	-
LGFE0046		Thurcock Cycle Network	Thurcock	Not approved		-	1,750,000	1,750,000	1,500,000	-	-	-	5,000,000	5,000,000	-
LGFE0047		London Gateway/Stanford le Hope	Thurcock	Not approved		-	1,000,000	2,000,000	3,000,000	1,000,000	500,000	-	7,500,000	7,500,000	-
LGFE0048		A131 Chelmsford to Braintree	Essex CC	Not approved		-	-	1,830,000	1,830,000	-	-	-	3,660,000	3,660,000	-
LGFE0049		A414 Harlow to Chelmsford	Essex CC	Not approved		-	-	-	1,830,000	1,830,000	-	-	3,660,000	3,660,000	-
LGFE0050		A133 Colchester to Clacton	Essex CC	Not approved		-	-	-	1,370,000	1,370,000	-	-	2,740,000	2,740,000	-
LGFE0051		A131 Braintree to Sudbury	Essex CC	Not approved		-	-	-	-	900,000	900,000	-	1,800,000	1,800,000	-
LGFE0052		A13 Widening - development	Thurcock	Not approved		-	5,000,000	-	-	-	-	-	5,000,000	5,000,000	-
LGFE0056		Purfleet Centre	Thurcock	Not approved		-	5,000,000	-	-	-	-	-	5,000,000	5,000,000	-
LGFE0057		Southend and Rochford Joint Area Action Plan (Airport)	Essex CC	Not approved		-	3,200,000	-	-	-	-	-	3,200,000	3,200,000	-
LGFE0058		Dover Western Dock Revival	Kent CC	Not approved		-	5,000,000	-	-	-	-	-	5,000,000	5,000,000	-
LGFE0059	LGFS48	Ashford International Rail Connectivity (Ashford Spurs)	Kent CC	Not approved		-	2,000,000	-	-	-	-	-	2,000,000	2,000,000	-
LGFE0060		Westhanger Lorry Park	Kent CC	Not approved		-	-	1,000,000	2,000,000	-	-	-	3,000,000	3,000,000	-
LGFE0061		Rochester Airport	Medway	Not approved		-	1,300,000	3,100,000	-	-	-	-	4,400,000	4,400,000	-
LGFE0062		Folkstone Seaford	Kent CC	Not approved		-	4,000,000	1,000,000	-	-	-	-	5,000,000	5,000,000	-
LGFE0063		Chelmsford City Growth Area Scheme	Essex CC	Not approved		-	-	1,000,000	3,500,000	5,500,000	-	-	10,000,000	10,000,000	-
LGFE0064		Chelmsford Flood Alleviation Scheme	Essex CC	Not approved		-	-	-	800,000	-	-	-	800,000	800,000	-
LGFE0065		Bexhill Enterprise Park - now subsumed within North Bexhill Access Rd	East Sussex CC	Not approved		-	-	-	-	-	-	-	-	2,600,000	(2,600,000)
LGFE0068		Housing Regeneration Project (Coastal Group)	Held Centrally	Not approved		-	2,000,000	-	-	-	-	-	2,000,000	2,000,000	-
LGFE0070		Beaulieu Park Railway Station	Essex CC	Not approved		-	-	1,250,000	-	5,750,000	5,000,000	-	12,000,000	12,000,000	-
LGFE0071	</														

1 Deliverability and Risk Assessment

Overview

- 1.1 At the February Accountability Board it was requested that further information be provided to the Board on the deliverability and risk of all schemes in the LGF programme.
- 1.2 An assessment of overall deliverability risk has been undertaken by the SELEP programme management team. This has been shared with Promoters for comment, and finalised taking account of comments and clarifications as appropriate.
- 1.3 The deliverability risk assessment will form part of the ongoing capital programme management work, and an update will be prepared for each Accountability Board.

Purpose of the Risk Assessment

- 1.4 The risk assessment is intended to help SELEP and Federal Areas to understand the realism of the programme and key programme risks, and to manage the programme accordingly. The purpose is not to affect the priority or status of any particular scheme (many of the schemes that are higher risk may also be higher priority in their ability to deliver key policy outcomes). Rather, the exercise is intended to provide an overview, at programme level, of the scale of nature of potential deliverability risks, and hence the consequent risk around the ability of SELEP (and Partners) to spend LGF funding to the planned profile.
- 1.5 The risk assessment will therefore inform the on-going programme management function of the LEP. The objective is to anticipate where and when programme risks may materialise, and to help ensure that the overall programme (and spend) in given years is populated with a balanced set of schemes, where schemes with higher deliverability risks are counterbalanced by lower risk schemes. There also needs to be sufficient flexibility within the programme to manage risks that materialise.
- 1.6 The identification of scheme specific risks can also be used to help Promoters prioritise effort on measures that could mitigate these risks and, through this manage and mitigate risk at the Federal Area / SELEP level.

Deliverability Risk Assessment - Approach

1.7 This assesses the deliverability risk associated with a particular scheme. The deliverability risk considers:

- **Specific project risks** – these relate to public acceptability, feasibility and so on. A ‘RAG’ assessment will be made against each of these deliverability criteria.
- **Risk outcomes** – The impact of individual risks on overall deliverability risk in terms of key outcomes – these will also be RAG rated:
 - **Programme risk** – what is the a risk / likelihood that the scheme will be delivered later than planned?
 - **Showstopper risk** – what is the risk / likelihood that the scheme could be either cancelled or delayed beyond the LGF programme period – i.e. drop out of the programme?

Specific project risks

1.8 Below we list the key project specific risks and the considerations that will be taken into account in making the RAG assessment. The RAG rating will be based on an informed judgement taking account of these considerations (rather than through a formulaic approach), and supported by a rationale.

Risk Area	Key Considerations
<ul style="list-style-type: none"> • Public and Stakeholder Acceptability 	<ul style="list-style-type: none"> • Does the project have public and stakeholder support? • Has public consultation been undertaken? • Does the nature of the scheme mean the proposal is likely to face greater acceptability risk?
<ul style="list-style-type: none"> • Feasibility 	<p>Is the proposal:</p> <ul style="list-style-type: none"> • Technically feasible (engineering feasibility) • Technologically feasible (proven technology) • Legally feasible – can be delivered within regulatory and legal framework (e.g. State Aid)
<ul style="list-style-type: none"> • Planning Risk 	<ul style="list-style-type: none"> • What powers / consents are required? • Have they been secured? • What is the risk that powers / consents may not be granted?
<ul style="list-style-type: none"> • Cost Risk / Affordability / Funding 	<ul style="list-style-type: none"> • What is the risk (how likely) and impact (who bears the risk and could it be absorbed) of a cost over-run? • What is the status of 3rd Party Funding – identified, committed, secured etc.?
<ul style="list-style-type: none"> • Value for Money 	<ul style="list-style-type: none"> • What is the VfM case for the scheme? • What is the risk it could fall below the VfM threshold (as per the SELEP Assurance Framework)
<ul style="list-style-type: none"> • Complexity / Dependence Flexibility of Scheme 	<ul style="list-style-type: none"> • Does the scheme rely on a range of institutions to deliver the project? • Are there significant project dependencies? • Is the scheme flexible – can it be re-defined in scope and detail to mitigate certain risks

Deliverability Risk Assessment – Outputs

1.9 The outputs from the deliverability assessment will include:

- A scheme by scheme risk summary, including project specific risks and risk outcomes.
- Overall programme-level risks including overall value of schemes, by year, in the low, medium and high risk categories.

Deliverability and Risk

Risk & Deliverability Assessment														Overall Risk Assessment				
Project Number	Project Name	Promoter	Public & Stakeholder Acceptability - Assessment	Comment	Feasibility - Assessment	Comment	Planning Risk (securing of powers & consents) - Assessment	Comment	Cost Risk / Affordability / Funding - Assessment	Comment	VFM Risk - Assessment	Comment	Complexity / Dependence / Flexibility of Scheme - Assessment	Comment	Showstopper Risk	Comment	Programme risk	Comment
LGFSE1	Skills Capital Programme	Centrally held	L		L		L		L		L		L		L	Being implemented	L	
LGFSE2	Newhaven Flood Defences	East Sussex	L		L		L		L		L		L		L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFSE3	Kent and Medway Growth Hub	Kent	L		L		L		M	Loan agreements being finalised	L		L		L	To be implemented 16/17	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFSE4	Colchester Broadband Infrastructure	Essex													n/a	Complete	n/a	Complete
LGFSE5	Southend Growth Hub	Southend	M	Delay due to Clean Air Act	L		L		L		L		L		L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17. LGF exchange between Southend and Essex for "£0.5m
LGFSE6	Tonbridge Town Centre Regeneration	Kent	L		L		L		L		L		L		L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFSE7	Sittingbourne Town Centre Regeneration	Kent	L		L		L		L		L		L		L	Being implemented	M	Slippage from 15/16 to 16/17. Spend up to and including Q4 16/17 so delay would push spend to 17/18.
LGFSE8	M20 Junction 4 Eastern Overbridge	Kent	L		L		L		L		L		L		L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFSE9	A26 London Rd/ Speldhurst Rd/ Yew Tree Rd, Tun Wells	Kent	L		L		L		L		L		L		L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFSE10	Kent Thameside LSTF	Kent	L		L		L		L		L		L		L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFSE11	Maldstone Gyrratory Bypass	Kent	L		L		L		L		L		L		L	Being implemented	L	
LGFSE12	Kent Strategic Congestion Management programme	Kent	L		L		L		L		M	As BCs provided by year, ITE unable to confirm VFM	L		L	Being implemented	L	
LGFSE13	North Deal transport improvements	Kent	L		L		L		L		L		L		L	Business case not ready for spending in 15/16 - moving back to 16/17 start	M	Business case not ready for spending in 15/16 - moving back to 16/17 start.
LGFSE14	Kent Rights of Way improvement plan	Kent	L		L		L		L		M	As BCs provided by year, ITE unable to confirm VFM	L		L	Being implemented	L	
LGFSE15	Kent Sustainable Interventions programme	Kent	M	Risk around consultation (cycle elements)	L				L		M	As BCs provided by year, ITE unable to confirm VFM	L		L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFSE16	West Kent LSTF	Kent	L		L		L		L		M	As BCs provided by year, ITE unable to confirm VFM	L		L	Being implemented	L	
LGFSE17	Folkestone Seafront : onsite infrastructure and engineering works	Kent	L		L		L		L		L		L		L	Being implemented	L	
LGFSE18	A289 Four Elms Roundabout to Medway Tunnel Journey time and Network Improvements	Medway	L		L		L		L		L		L		L	Being implemented	L	
LGFSE19	Strood Town Centre Journey Time and Accessibility Enhancements	Medway	L		L		L		L		L		L		L	Being implemented	L	
LGFSE20	Chatham Town Centre Place-making and Public Realm Package	Medway	L		L		L		L		L		L		L	Being implemented	L	
LGFSE21	Medway Cycling Action Plan	Medway	L		L		L		L		L		L		L	Being implemented	L	
LGFSE22	Medway City Estate Connectivity Improvement Measures	Medway	L		L		L		L		L		L		L	Being implemented	L	
LGFSE23	Hailsham/Polegate/Eastbourne Sustainable Transport Corridor	East Sussex	M	Risk around consultation	L		L		L	tbc, but should be scalable	L	VFM uncertain, but probably good VFM	L		L	To be implemented 16/17	L	Some programme risk related to consultation, but planned implementation in 17/18 provides scope to manage programme.
LGFSE24	Eastbourne and South Wealden Walking and Cycling LSTF package	East Sussex	L		L		L		L		L		L		L	Being implemented	L	
LGFSE25	Colchester LSTF	Essex	M	Risk around consultation (cycle elements)	L		L		L		L		L		L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFSE26	Colchester Integrated Transport Package	Essex	M	Risk around consultation	L		L		L	tbc, but should be scalable	L		L		L	Being implemented	M	Spend deferred to 17/18, so programme risk should be mitigated through longer scheme development phase
LGFSE27	Colchester Town Centre	Essex	M	Delay caused by consultation	L		L		L		L		L		L	Some risk around scheme element (Lexden Rd).	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFSE28	TGSE LSTF - Essex	Essex	L		L		L		M	RTI element may be deemed to be revenue rather than capital (hence not eligible for LGF)	L		L		L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFSE29	TGSE LSTF - Southend	Southend	L		L		L		L		L		L		L	Being implemented	L	
LGFSE30	TGSE LSTF - Thurrock	Thurrock	L		L		L		L		L		L		L	Being implemented	L	

Project Number	Project Name	Promoter	Public & Stakeholder Acceptability - Assessment	Comment	Feasibility - Assessment	Comment	Planning Risk (securing of powers & consents) - Assessment	Comment	Cost Risk / Affordability / Funding - Assessment	Comment	VfM Risk - Assessment	Comment	Complexity / Dependence / Flexibility of Scheme - Assessment	Comment	Showstopper Risk	Comment	Programme risk	Comment
LGFE31	A414 Pinch Point Package: A414 First Avenue & Cambridge Rd junction	Essex	L		L		L		L		L		M	Delay caused by issues with contractors	L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFE32	A414 Maldon to Chelmsford RBS	Essex	L		L		L		L		L		L		L	Being implemented	L	
LGFE33	Chelmsford Station / Station Square / Mill Yard	Essex	M	Delays due to complexity	L		L		L		L		H	Complex delivery - ECC, NR and TOC	M	Complex project	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFE34	Basildon Integrated Transport Package	Essex	L		L		L		L		L		M	Delays to forecourt works	L	Being implemented	M	Slippage from 15/16 to 16/17, but should be able to spend within 16/17.
LGFE35	Queensway Gateway Road	East Sussex	L	Consultation complete	L		M	Risk / threat of judicial review	L		L		L		M	JR potential to delay project	M	Slippage from 15/16 and planning risk
LGFE36	Colchester Park and Ride and Bus Priority measures	Essex													n/a	Complete	n/a	Complete
LGFE37	A127 Fairgreen Junction Improvements	Essex (retained)	M	tbc	L		M	tbc	M	Some cost uncertainty	M	VfM uncertain	L	tbc	L	tbc - but unlikely to be showstopper risks	M	DfT / HE processes and planning (tbc) present programme risks
LGFE38	A127 Capacity Enhancements Road Safety and Network Resilience (ECC)	Essex (retained)	L		L		L		L		L		L		L	Being implemented	L	
LGFE39	A127 Kent Elms Corner	Southend (retained)	M	tbc	L		M	tbc	M	Some cost uncertainty	M	VfM uncertain	L	tbc	L	tbc - but unlikely to be showstopper risks	L	tbc - but unlikely to be showstopper risks
LGFE40	A127 The Bell	Southend (retained)	M	tbc	L		M	tbc	M	Some cost uncertainty	M	VfM uncertain	L	tbc	L	tbc - but unlikely to be showstopper risks	L	tbc - but unlikely to be showstopper risks
LGFE41	A127 Essential Bridge and Highway Maintenance - Southend	Southend (retained)	M	tbc	L		M	tbc	M	Some cost uncertainty	M	VfM uncertain	L	tbc	L	tbc - but unlikely to be showstopper risks	L	tbc - but unlikely to be showstopper risks
LGFE42	A28 Chart Road	Kent	L		L		L		L		L		L		L	Brought forward from 16/17 for 15/16 start	L	Slippage from spend identified in 15/16 but, as scheme brought forward, not perceived to be risk for 16/17
LGFE43	Maldstone Integrated Transport	Kent	L		L		L		L		L		L		L	Brought forward from 16/17 for 15/16 start	L	Slippage from spend identified in 15/16 but, as scheme brought forward, not perceived to be risk for 16/17
LGFE44	A28 Sturry Link Road	Kent	L		L		L		L		L		L		L	Business case not ready for spending in 15/16 - moving back to 16/17 start	M	Business case not ready for spending in 15/16 - moving back to 16/17 start
LGFE45	Rathmore Road	Kent	L		L		M	Land acquisition planned for 15/16, but some risk of delay to Q1 16/17	L		L		L		L	Brought forward from 16/17 for 15/16 start	M	Three quarters of spend land acquisition. Minor risk of slippage to 16/17
LGFE46	A28 Sturry Rd Integrated Transport Package	Kent	L		L		L		L		L		L		L	Brought forward from 16/17 for 15/16 start	M	Approved but scheme on hold until 16/17
LGFE47	Maldstone Sustainable Access to Employment	Kent	L		L		L		L		L		L		L	Brought forward from 16/17 for 15/16 start	L	
LGFE48	Ashford Spurs	Kent	M	Subject to detail in BC	M	Project is feasible. However, should seek assurance that HS1 services would stop at Ashford if infrastructure provided.	M	Subject to detail in BC	H	EU match funding not secured. Currently a funding gap.	M	VfM uncertain	H	Mix of funding parties, NR delivery, and HS1 operator.	H	Currently HS1 operator has stated that service only guaranteed if delivered by 2018. Therefore programme risk effectively translates into showstopper risk.	H	Funding issues to be resolved.
LGFE49	Swallow Business Park, Hailsham (A22/A27 Growth Corridor)	East Sussex	L		L		L		L		L		L		L		L	
LGFE50	Sovereign Harbour (aka Site Infrastructure Investment)	East Sussex	L		L		L		L		L		L		L		L	
LGFE51	North Bexhill Access Road and Bexhill Enterprise Park	East Sussex	L	Consultation complete	L		M	Risk / threat of judicial review	L		L		L		L		M	Planning risk
tbc	Thanet Parkway	Kent	M	Subject to detail in BC. Require positive support of potential operator and/or DfT Rail (as franchisee)	L	Project is feasible	M	Subject to detail in BC	H	Latest cost estimate is significantly above £10m LGF allocation, so currently a funding gap exists. Further design/cost work on-going.	M	VfM uncertain	M	tbc	H	Current funding gap, and VfM uncertain.	H	Key risk issues currently unresolved - implications for programme.
tbc	Hastings and Bexhill junction capacity improvements package	East Sussex	L	Within highway	L		L		L	tbc, but should be scalable	L	VfM uncertain, but probably good VfM	L		L		L	
tbc	Hastings and Bexhill LSTF walking and cycling package	East Sussex	M	Risk around consultation	L		L		L	tbc, but should be scalable	L	VfM uncertain, but probably good VfM	L		L		M	Consultation > potential delay risk. All planned expenditure for Q4 16/17, so delay would impact on spend in year.
tbc	Eastbourne town centre LSTF access & improvement package	East Sussex	M	Risk around consultation	L		L		L		L		L		L		M	Consultation > potential delay risk. Includes planned expenditure for Q4 16/17, so delay would impact on spend in year.
tbc	Southend Central Area Action Plan (SCAAP) - Transport Package	Southend	M		L		M	Subject to detail in BC	L	tbc, but should be scalable	L	VfM uncertain, but probably good VfM	M	tbc	L		L	Low risk for 16/17, subject to AB in June
tbc	Thurrock Cycle Network	Thurrock	M		L		L	Subject to detail in BC	L	tbc, but should be scalable	L	VfM uncertain, but probably good VfM	L		L		M	Consultation > delay risk
tbc	London Gateway/Stanford le Hope	Thurrock	M	Subject to detail in BC	L		L		M	Risk linked to complexity	M	VfM uncertain	L / M	Low for Phase 1. M for Phase 2 (Station refurb)	L		M	Phase 1 planning on spending in Q4 of 16/17 > tight programme. Phase 2 more complex and greater inherent risk.
tbc	A131 Chelmsford to Braintree	Essex	L	Within highway	L		L				L	VfM uncertain	L		L		L	
tbc	A414 Harlow to Chelmsford	Essex	L	Within highway	L		L				L	VfM uncertain	L		L		L	

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tbc	A133 Colchester to Clacton	Essex	L	Within highway	L		L		L		L	VfM uncertain	L		L		L	
tbc	A131 Braintree to Sudbury	Essex	L	Within highway	L		L		L		L	VfM uncertain	L		L		L	
tbc	A13 Widening - development	Thurrock (retained)	H	Likely to be contentious	L	tbc	M	Subject to detail in BC	M	Large-scale project with risk of cost over-run	M	VfM uncertain	M	VfM uncertain.	M	Approval process for drawing down funds	M	Consultation > delay risk
tbc	Purfleet Centre	Thurrock	L	Subject to detail in BC	L		L	Subject to detail in BC	L	Subject to detail in BC	M	VfM uncertain	M	tbc	L		M	LGF to fund land acquisition in 16/17
tbc	Southend and Rochford Joint Area Action Plan (Essex project)	Essex	M		M		M	Planning consent to implement the wider scheme has yet to be secured?	L		M	VfM uncertain	M	tbc	M	Management risk	M	Management potentially complex between Essex/Southend
tbc	Dover Western Dock Revival	Kent	L	Developer led, within developer land.	L	tbc	L	tbc	H	Funding eligibility uncertain, as question whether scheme delivers net additionality (or would have been delivered anyway). Port of Dover has submitted OBC to developer. DFT is reviewing.	M	VfM uncertain	L		H	Funding eligibility risk	H	Planned to spend in 2016/17, but additionality issue unresolved.
tbc	Westhanger Lorry Park	Kent	M	tbc	M	tbc	M	tbc	M	tbc	M	tbc	M	tbc	H	Project under review as DFT is separately looking at larger lorry park options in response to 'Stack'. KCC LGF funded project may get re-defined to deal with inappropriate lorry parking.	H	Under review
tbc	Rochester Airport	Medway	M	Planning decision challenged and under judicial review.	L	tbc	H	Planning granted in 2015 but under judicial review. Going back to planning committee in April 2016. Also has to be permitted by Tonbridge & Malling (subsequent to Medway)	M	tbc	M	VfM uncertain	M	tbc	M	Planning issues	M	Planning issues > uncertainty about ability to spend in 16/17
tbc	Folkestone Seaford (non-transport)	Kent	L		L		L		L		L		L		L		M	tbc - review profile of spend in 16/17
tbc	Chelmsford City Growth Area Scheme	Essex	M	tbc	L	tbc	L	tbc - but expect to be within highway	L	tbc, but should be scalable	L	VfM uncertain, but probably good VfM	L	tbc	L		M	Consultation > delay risk
tbc	Chelmsford Flood Alleviation Scheme	Essex	M	tbc	M	tbc	M	tbc	M	tbc	M	tbc	M	tbc	L		M	tbc - need to understand risk and cause of recent delay better.
tbc	Housing Regeneration Project (Coastal Group)	Centrally held	M	tbc	M	tbc	M	tbc	M	tbc	M	tbc	M	tbc	M	tbc	M	tbc
tbc	Beaulieu Park Railway Station	Essex	M	tbc	M	tbc	M	tbc	H	Complex rail project	M	VfM uncertain	H	Complex delivery - ECC, NR and Developer (MOU signed between parties).	M	Complex. Delay could also mean implementation post-LGF programme period.	H	Complex rail project
tbc	M20 Junction 10a	Centrally held	M	Road capacity and development proposal may face opposition.	L	tbc	M	Subject to detail in BC	M	HCA centrally held funding (part of LGF). Issue of whether developer contributions can be secured to fund / finance the HCA contribution. Resolution pending.	M	VfM uncertain	M	Funding via HCA to Ashford, HE and Developer involvement. However, funding and delivery route agreed.	M	Subject to HCA funding issue	M	Subject to HCA funding issue
tbc	A226 London Road/B255 St Clements Way	Kent	L		L		L	Within Highway boundary	L	tbc, but should be scalable	M	VfM uncertain	L		L		L	Could be advanced to 16/17
tbc	A22/A27 junction improvement package	East Sussex	L	tbc	L	tbc	L	tbc	L	tbc	L	tbc	L	tbc	L	tbc	L	tbc

END

AGENDA ITEM 7

Report to Accountability Board	Forward Plan reference number: N/A
Date of Accountability Board Meeting: 8th April 2016	
Title of report: Financial Delegations to the Secretariat	
Report by Kim Mayo, Principal Solicitor	
Enquiries to Kim.mayo@essex.gov.uk	

1. Purpose of report

- 1.1 The purpose of this paper is to provide clarification around the financial delegations to Officers of the South East Local Enterprise Partnership (SELEP).

2. Recommendations

- 2.1 **TO NOTE** the delegations to the Executive Director for Corporate and Customer Services and the Managing Director of the SELEP, as set out in this report.

3 Background

- 3.1 On 19 March 2013, Essex County Council (ECC) agreed to act as the Accountable Body for the SELEP. In doing so it also approved the delegation of those responsibilities to the Executive Director of Finance.
- 3.2 Since that time the Executive Director of Finance title has changed to Executive Director for Corporate and Customer Services, and the Board are asked to note this change, whilst noting that the fundamentals of the role remain unchanged.
- 3.3 ECC operates a system of devolved financial management which is enshrined within its Constitution and states that any exercise of delegated powers shall be subject to:
- any statutory restrictions;
 - Council Procedure Rules;
 - Financial Procedure Rules;
 - Procurement Policy and Procedures.
- 3.4 In exercising delegated powers:
- Officers shall not go beyond the provision made in the revenue or capital budgets for their service except to the extent permitted by financial procedure rules and Procurement Policy and Procedures.

- The delegated authority to Officers includes management of the human and material resources made available for the service areas and the functions concerned.
 - In each case the delegated authority excludes the determination of policy, exceptions to policy and budgets by the Cabinet Member or Officer concerned.
- 3.5 In accordance with ECC Constitution and the devolved financial management, ECC provides for specific responsibilities to be devolved further to Officers, in order to ensure that decisions are taken at an appropriate level and in a timely manner so as to avoid delays and additional bureaucracy.
- 3.6 The day to day management of the SELEP takes place through the work undertaken by the Secretariat. In accordance with ECC policies, specific financial responsibilities are devolved to the Managing Director of the SELEP, and these are set out within the Scheme of Delegations for Financial Management and the Financial Regulations (Appendix A and B).
- 3.7 The Managing Director for the SELEP is considered a Tier 3 Officer, and is therefore able to take those decisions as stipulated in the Scheme of Delegations for Financial Management and the Financial Regulations allocated to this level. This includes, amongst other things, the ability to authorise the order for works, goods and services, payments arising from purchasing and procurement transactions up to £1m.
- 3.8 In the exercising of their duties, the Executive Director for Corporate and Customer Services and the Managing Director shall at all times have regard to the devolved financial management as set out in the Scheme of Delegations for Financial Management and the Financial Regulations. All financial and accounting procedures must be carried out in accordance with the Financial Regulations and with any accounting instruction notes and other corporate guidance issued by, or on behalf of, the Executive Director for Corporate and Customer Services.

4 Financial Implications

- 4.1 None

5 Legal Implications

- 5.1 None

6 Staffing and other resource implications

- 6.1 None

7 Equality and Diversity implications

- 7.1 None

8 List of Appendices

- 8.1 Appendix A - Scheme of Delegations for Financial Management;
- 8.2 Appendix B - Financial Regulations

(available at www.essex.gov.uk if not circulated with this report)

9 List of Background Papers

- 9.1 ECC Cabinet report dated 19 March 2013, The South East Local Enterprise partnership – Accountable Body Status.

(Any request for any background papers listed here should be made to the person named at the front of the report who will be able to help with any enquiries)

Role	Date
Accountable Body sign off Stephanie Mitchener On behalf of Margaret Lee	1 st April 2016

Scheme of Delegation for Financial Management

Effective from 10th February 2015



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Scheme of Delegation for Financial Management

1. Introduction

The purpose of the Financial Regulations is to set out the Council's financial policies and framework for managing the Council's financial affairs. The Regulations seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions and best professional practice. All financial and accounting procedures and delegations must therefore be carried out in accordance with the Regulations and other corporate guidance.

This document is the scheme of delegations for financial management. It is approved by the Section 151 Officer from time to time under paragraph 15.1.1 of the Constitution. It sets out how financial decisions are delegated to officers within the Council.

2. Principles of Delegation

2.1 Introduction

The Financial Regulations are organised around seven themes of financial management as follows:

- (i) Financial planning (Section 3)
- (ii) Financial management (Section 4)
- (iii) Accounting records and financial systems (Section 5)
- (iv) Risk Management and Internal Control (Section 6)
- (v) Control of resources (Section 7)
- (vi) Income and expenditure (Section 8)
- (vii) External arrangements (Section 9)

For each of these themes, delegation arrangements are needed that support the efficient running of the Council, through appropriate allocation of tasks and responsibilities, and that contribute to an effective internal controls framework. This latter point is assessed on an annual basis through the self-assessment process that Executive Directors are asked to undertake and reported in the Annual Governance Statement.

The specific components of the internal controls framework are:

- Preventative controls (*i.e. segregation of duties, authorisation procedures, physical custody, access limitations*);
- Detective controls (*i.e. arithmetical and accounting checks, consistency checks, continuity checks*); and
- Directive controls (*i.e. written policies and procedures, reporting lines, supervision and management and training*).

Scheme of Delegation for Financial Management

Compliance with Financial Regulations and the Scheme of Delegation for Financial Management not only enhances the Council's control environment but also protects employees against allegations of mismanagement, fraud and unprofessional conduct.

2.2 Powers for delegation

The Council operates a system of devolved financial management which is enshrined within its Constitution which states that any exercise of delegated powers shall be subject to:

- any statutory restrictions;
- Council Procedure Rules;
- Financial Procedure Rules;
- Procurement Policy and Procedures.

In exercising delegated powers:

- Cabinet Members and Officers shall not go beyond the provision made in the revenue or capital budgets for their service except to the extent permitted by financial procedure rules and Procurement Policy and Procedures.
- The delegated authority to Officers includes management of the human and material resources made available for the service areas and the functions concerned.
- In each case the delegated authority excludes the determination of policy, exceptions to policy and budgets by the Cabinet Member or Officer concerned.

Decisions which an officer takes under delegated powers must:

- Only implement a policy or decision previously approved or taken by the Cabinet or Cabinet Member;
- Facilitate or be conducive or incidental to the implementation of a policy or decision previously taken by the Cabinet or Cabinet Member; or
- Relate to the management of the human, material and financial resources made available for the functions for which they are responsible.

Officers do not have the power to:

- Make changes to policies relating to fees, charges or concessions;
- Make decisions on the use of permanent savings in a budget;
- Approve the making of an order for the compulsory acquisition of land; or
- Approve the acquisition of land in advance of requirements.

Scheme of Delegation for Financial Management

This framework reflects the Financial Regulations and allocates responsibilities to Executive Directors as follows:

- Putting in place appropriate budget management and delegation arrangements to ensure the effective use of resources, the safeguarding of assets and the operation of a system of appropriate internal controls.
- Promoting the financial management standards set by the **Section 151 Officer** within their Services, and monitoring adherence to the standards and practices, liaising as necessary with the **Section 151 Officer**, and ensuring that appropriate training is provided to those staff with financial management responsibilities.
- Promoting sound financial practices in relation to the standards, performance and development of staff in their services.
- Advising Cabinet Members of the financial implications of all proposals and ensuring that the financial implications have been agreed by the **Section 151 Officer**.
- Seeking approval on any matter liable to affect the Council's finances materially, before any commitments are incurred.
- Signing contracts on behalf of the Council (in accordance with the Council's Procurement Policy and Procedures).
- Consulting with, and obtaining the approval of, the **Section 151 Officer** before making any changes to accounting records or procedures.
- Complying with the following principles when allocating accounting duties:
 - Separating the duties of (i) providing information about sums due to or from the Council and calculating, checking (including reconciliations) and recording these sums, from (ii) the duty of collecting or disbursing them.
 - Employees with the duty of examining or checking the accounts of financial transactions must not themselves be engaged in these transactions.
- Ensuring that claims for funds, including grants and 'match funding', are made by the due date and that appropriate records are maintained, according to funding conditions.
- Contributing to the development of performance plans in line with statutory requirements.
- Contributing to the development of corporate and service targets, objectives and performance information.

3. Financial Delegations

Matter	Threshold	Delegation to	Ref to Fin Regs
3.1 Control of Resources			Section 7
Ensure that borrowing and investment activities are undertaken in accordance with the parameters and limits set by the Council.		<ul style="list-style-type: none"> ▪ Section 151 Officer; ▪ Director for Financial Services; and ▪ Chief Accountant. 	7.3.2
Day to day management of the Council's treasury management activities, ensuring that temporarily surplus funds are invested until next needed or that funds are borrowed to cover temporary shortfalls of cash.		<ul style="list-style-type: none"> ▪ Chief Accountant; and ▪ Authorised dealing officers. 	7.3.2
Operation of a petty cash imprest account.		Nominated Petty Cash Account Holders	7.3.5
Authorisation of petty cash disbursements per item		Heads of Service / Operational Budget Holders	7.3.5
3.2 Income and Expenditure			Section 8
Authorise the payment, to relevant government agencies and other bodies, of amounts either deducted from salaries, or related to officers' remuneration.		<ul style="list-style-type: none"> ▪ Section 151 Officer; or ▪ Director for Corporate Operations 	8.5.1
Authority to authorise orders from Information Services' online catalogue	Orders for items individually up to £200	<ul style="list-style-type: none"> ▪ Self-certification by the person raising the order 	N/A
	Orders for items individually in excess of £200	<ul style="list-style-type: none"> ▪ Head of Service / Operational Budget Holder 	N/A

Matter	Threshold	Delegation to	Ref to Fin Regs
Authorise expense claims (incl. travel and subsistence)	Claims of up to £100 (or 200 miles)	<ul style="list-style-type: none"> Self-certification by claimant (<i>authorised by Payroll Manager when running payroll</i>). 	8.5.2
	Claims in excess of £100 (or 200 miles) and up to £1,000 (or 2,000 miles)	<ul style="list-style-type: none"> Line manager 	8.5.2
	Claims in excess of £1,000 (or 1,000 miles)	<ul style="list-style-type: none"> Head of Service / Operational Budget Holder 	8.5.2
3.3 Pension Fund Arrangements			
To manage the Pension Fund including the power to seek professional advice and to devolve day to day handling of the fund to professional advisors within the scope of the Pension's Regulations.		Director for Essex Pension Fund (<i>subject to Investment Steering Committee approval of the original appointment</i>)	N/A
Authorisation of: <ul style="list-style-type: none"> custody agreements and variations Investment advisor agreements and variations Partnership agreements and variations Investment applications and related documentation 		Director for Essex Pension Fund (<i>subject to Investment Steering Committee approval of the original appointment</i>)	N/A
Authorisation of : <ul style="list-style-type: none"> Investment management agreements and variations Payment of capital calls on approved investments Instructions to the custodian to transfer funds and open/close accounts Applications to sovereign states and administrative areas Tax returns, applications and claims 		Director for Essex Pension Fund	N/A

Matter	Threshold	Delegation to	Ref to Fin Regs
<ul style="list-style-type: none">▪ Appointment of tax consultants, actuaries and other specialist advisers and consultants▪ The payment of invoices for services supplied to the Pension Fund and refunds of contributions▪ Instructions to the fund actuary			

Scheme of Delegation for Financial Management

4. Guidance on roles and responsibilities

4.1 Introduction

The Council operates a system of devolved financial management which, in practice, means certain responsibilities are devolved to services, as follows:

- Ensuring that there is stewardship of public resources;
- Ensuring that statutory and regulatory standards are met;
- Ensuring value for money;
- Identifying, evaluating and managing risk;
- Supporting good decision making through the provision of financial information and advice to decision makers;
- Analysis of service activity costs and trends to feed into performance information;
- Aligning resource allocations with business objectives;
- Maximising income sources without being diverted from business priorities.

It is therefore important that there is clarity over roles and responsibilities within these areas of activity.

4.2 Budget Holders

The operation of financial management across the Council is carried out within a framework of budget holders, supported by Corporate Services.

The term 'budget holder' is used to cover a range of responsibilities and accountabilities starting from the Executive Director, who will oversee the overall delivery of a range of services, down to the operational budget holder who will be accountable for the day to running of a service and the management of the associated budget.

The default position is that the Director will be the operational budget holder. However, the Director may designate a Head of Service, or another officer, as the operational budget holder, where that officer has responsibility for a service area with a budget of at least **£1m**. Budgets of less than **£1m** are not permitted to be delegated without the approval of the Executive Director of Corporate Services.

There will usually be a series of delegations operating in support of the operational budget holder, whereby those with delegated authority are able to commit funds on the budget holder's behalf (*i.e. within parameters agreed by the operational budget holder*).

The role of each of these levels of 'budget holder', across the main themes in Financial Regulations, is summarised in the following pages.

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
Financial Planning	<ul style="list-style-type: none"> Provides the overall strategic direction, and oversees the preparation of the budget, for their set of services. 	<ul style="list-style-type: none"> Ensures that new initiatives and legislative requirements are considered as appropriate. Prepares the detailed revenue and capital budgets, reflecting the strategic direction set by the Executive Director / Director. 	
Financial Management	<ul style="list-style-type: none"> Assigns budget holder responsibility and ensures there are appropriate budgetary control processes in place. Receives regular reports on performance against budget from Directors. Where appropriate, approves virements within the financial limits set out with Financial Regulations, or seeks additional funding if necessary. Ensures budget provision is in place for any new policies. 	<ul style="list-style-type: none"> Places orders and incurs expenditure for services in accordance with appropriate procurement advice and the approved budget. Records income and expenditure properly and maintains appropriate commitment records to aid with budget management. Prepares reports, with finance support on performance against budget. Where appropriate, approves virements within the financial limits set out with Financial Regulations, or refers to the Executive Director for action, Reviews regularly the value for 	<ul style="list-style-type: none"> Places orders and incurs expenditure for services in accordance with appropriate procurement advice and the approved budget.

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
		money of the service delivery arrangements.	
Accounting records and Financial Systems	<ul style="list-style-type: none"> Ensure Section 151 Officer' approval is obtained to operate or change a financial system (or any financial element of a non-financial system). Ensure that systems are backed up and disaster recovery and business continuity plans are maintained to allow information system processing to resume quickly in the event of interruption. Ensure adequate audit trail exists through computerised systems. 	<ul style="list-style-type: none"> Ensures compliance with proper accounting guidance and practice by following advice and guidance from finance. 	<ul style="list-style-type: none"> Complies with proper accounting practices and guidance issued from finance.
Risk Management and Control	<ul style="list-style-type: none"> Takes overall ownership of risk within their service areas, ensuring risk management is implemented in line with the overall risk management strategy. Reviews risks in their service areas and progress on mitigating actions at regular management 	<ul style="list-style-type: none"> Ensures risk management within their area is implemented in line with the strategy. Reviews service risks and progress on mitigating actions at regular management meetings. Notifies the Section 151 Officer immediately of any loss, liability or damage that may lead to a 	

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
	<p>meetings.</p> <ul style="list-style-type: none"> • Consults the Section 151 Officer and the Monitoring Officer on the terms of any indemnity. • Establishes sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness; and for achieving their financial performance targets. • Undertakes an annual self-assessment of the status of the systems of internal control within their service areas, as directed by the Section 151 Officer. • Supports Internal Audit in any review being undertaken within their area, nominates a sponsor responsible for taking forward audit issues, and responds to issues raised within audit reports 	<p>claim against the Council.</p> <ul style="list-style-type: none"> • Notifies the Section 151 Officer promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances. • Responds to internal audit reports in writing, within a timescale agreed detailing the action intended to address any recommendations, and monitors implementation of agreed actions • Maintains a Hospitality Register and a Register of Interests within each service in which the acceptance of any hospitality or gifts is recorded 	

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
	<p>within the agreed timescale</p> <ul style="list-style-type: none"> Ensures that the anti-fraud and corruption policy is followed and that any appropriate action is taken. 		
Control of resources	<ul style="list-style-type: none"> Ensures there are appropriate control procedures in place with regard to assets, stock and stores 	<ul style="list-style-type: none"> Ensures the proper security of all buildings, vehicles, equipment, furniture, stock, stores and other property belonging to the Council and consults with the Director for Property, Facilities Management and Business Support in any case where security is thought to be defective or where it is considered that special security arrangements may be needed. Ensures that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of such keys must be reported to the Head of Internal Audit. Provides the Section 151 Officer with the information required to maintain the asset register in 	<ul style="list-style-type: none"> Employees operating an imprest account will make adequate arrangements for the safe custody of the account as set out in paragraph 7.3.4 of the Financial Regulations

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
		<p>relation to vehicles, plant and equipment (including IT)</p> <ul style="list-style-type: none"> Maintains inventories of all furniture, fittings, equipment, plant and machinery, and carries out an annual check of all items on the inventory. 	
Income and Expenditure	<ul style="list-style-type: none"> Establishes a charging policy for the supply of goods or services, and reviews it regularly, in line with corporate policies and annual budget setting timetables. Ensures there are adequate arrangements and delegations in place for ordering, authorising and receipting of goods and services. Maintains an up to date list of those staff who can order, authorise and receipt goods and services, and identifies in each case, any limits to an individual's authority. Ensures there is an appropriate 	<ul style="list-style-type: none"> Implements the charging policies. Acts in accordance with the delegated limits applied to ordering, authorisation and receipt of goods and services. Has regard to value for money when considering procurement activities. Establishes and initiates appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly. Notifies the Section 151 Officer immediately of any expenditure to be incurred as a result of statute/court order where there 	<ul style="list-style-type: none"> Raises invoices according to the agreed charging policies. Places orders for goods and services in accordance with the Council's Procurement Policy and Procedures (<i>and on the Council's e-procurement purchase to pay system</i>). Checks goods and services upon receipt to ensure they are in accordance with the order (<i>wherever possible, goods should not be received by the person who approved the order</i>). Records the receipt of goods on the Council's e-procurement purchase to pay system in order to provide an approval to pay for

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
	<p>control arrangement in place relating to cash handling.</p> <ul style="list-style-type: none"> Provides an up-to-date list of the names of officers authorised to sign records to the Head of Human Resources, together with specimen signatures, Ensures that appropriate arrangements are made for meeting the competitive requirements set out in the Financial Regulations. 	<p>is no budgetary provision.</p> <ul style="list-style-type: none"> Ensures that adequate and effective systems and procedures are operated for payments to employees and for goods and services. 	<p>goods and services received by the authority.</p> <ul style="list-style-type: none"> Ensures that the correct VAT liability is attached to all income due and that all VAT recoverable on purchases and expenses complies with HM Revenue and Customs regulations. Follows the guidance on VAT issued by the Section 151 Officer.
External arrangements	<ul style="list-style-type: none"> Ensures partnership arrangements meet corporate policies and strategies for working with other bodies. Ensures partnerships are governed by formal documented agreements. Undertakes a risk management appraisal of proposed new partnership arrangement. Ensures information on the partnership arrangements is provided to the Section 151 	<ul style="list-style-type: none"> Monitors partnership arrangements to ensure they are operating according to agreements. Measures the performance of partnerships to ensure that the overall arrangements represent best value for the people of Essex. Ensures that all funding notified by external bodies is received and properly recorded in the Council's accounts. 	

Theme	Executive Director	Operational Budget Holder	Officers with delegated authority to sign
	<p>Officer, so that the appropriate disclosures can be made within the Council's annual statement of accounts.</p> <ul style="list-style-type: none"> Approves the contractual arrangements for any work undertaken for third parties or external bodies. 		

Scheme of Delegation for Financial Management

4.3 Finance support

The Council's system of devolved financial management means that services take decisions on their budgets, supported by Financial Services. The organisational model for finance is one that seeks to minimise transactional resource through the use of technology, allowing for a focus on value-added support to budget holders, backed up by specialist financial analysts and technical accountants where appropriate and when needed.

There is a Head of Finance assigned to each Executive Director, acting as key liaison point between the services covered by the Executive Director and Finance; the Senior Financial Analyst (Capital) undertakes this role in respect of capital projects. The Heads of Finance and the Senior Financial Analyst (Capital) report to the Director for Financial Services, who in turn reports to the **Section 151 Officer**. They are required to report regularly on any issues relating to possible non-compliance with any financial rules or agreed practices and on any financial pressures which may result in a failure to meet the budgets.

5. Authorised Signatory Process

In order to facilitate compliance with the Financial Regulations and Scheme of Delegation for Financial Management (SoDFM), the Council has an authorised signatory process. All posts have been assessed by their Executive Director to determine the extent of their delegated authority. Generally this is aligned to the management hierarchy, as follows:

- Chief Executive assigned to level **one**;
- Executive Director assigned to level **two**;
- Directors to level **three**;
- Heads of Service (when designated as the Operational Budget Holder) to level **four**;
- Officers with delegated authority to act on behalf of an operational budget holder to level **five**.
- All other staff to level **six**.

All staff within posts deemed to have delegated authority at levels one to five are required to complete an authorised signatory form. This sets out the extent of the individual's authority, requires them to confirm the cost centres they have authority against and requires them to provide a specimen signature. By signing this form, managers are confirming that they will abide by the rules and regulations set out both within the Financial Regulations and the SoDFM.

Details from this form, along with a scanned copy of the signature, are recorded in the Council's Authorised Signatory Database. This Database is then used to confirm that persons authorising transactions have the appropriate authority to do so. As such, the Database may also be used by Internal and External Audit to support their testing of the Council's internal controls framework.

Financial Regulations

Effective from 10th February 2015



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1. Introduction

1.1. Context

These Financial Regulations set out the financial policies and the framework for managing the Council's financial affairs.

The Regulations are organised around seven themes, as follows:

- (i) [Financial planning](#) (see Section 3)
- (ii) [Financial management](#) (see Section 4)
- (iii) [Accounting records and financial systems](#) (see Section 5)
- (iv) [Risk management and internal control](#) (see Section 6)
- (v) [Control of resources](#) (see Section 7)
- (vi) [Income and expenditure](#) (see Section 8)
- (vii) [External arrangements](#) (see Section 9)

They seek to ensure that the Council conducts its affairs in a way that complies with specific statutory provisions, generally accepted accounting principles and professional good practice.

Officers and Members are authorised to make decisions in accordance with these Financial Regulations, but they do not authorise any person to make a decision which is contrary to any provision in the [Constitution](#).

1.2. Financial responsibilities

An overview of the financial responsibilities of the Council, the Cabinet, various Committees, the Chief Executive, the Executive Director for Corporate and Customer Services, the Director for Corporate Law and Assurance and other Executive Directors is provided in **Section 2** of the Financial Regulations. Specific responsibilities are explained, in context, throughout the Financial Regulations.

The Executive Director for Corporate and Customer Services is the Council's Responsible Finance Officer under Section 151 of the Local Government Act 1972, and is responsible for maintaining a continuous review of the Financial Regulations and for updating them, as necessary, for Council to approve. The Executive Director for Corporate and Customer Services is also responsible for reporting, where appropriate, breaches of the Financial Regulations to the Cabinet and/or to the Council.

1.3. Advice and guidance to underpin Financial Regulations

The Executive Director for Corporate and Customer Services will, from time to time, issue advice, guidance and accounting instruction notes to underpin the Financial Regulations, ensure compliance with specific statutory provisions and reinforce best professional practice. Members, officers and others acting on behalf of the Council are required to comply with such advice and guidance.

1.4. Compliance

All financial and accounting procedures must be carried out in accordance with the Financial Regulations and with any accounting instruction notes and other corporate guidance issued by, or on behalf of, the Executive Director for Corporate and Customer Services.

Executive Directors will ensure that their staff are aware of the existence, and content, of the Council's Financial Regulations, accounting instruction notes and other corporate guidance, and ensure compliance with them.

Non-compliance with these Financial Regulations, and with any accounting instruction notes and other corporate guidance issued by the Executive Director for Corporate and Customer Services, constitutes a disciplinary matter that will be pursued, as appropriate, in accordance with the [Human Resources Policy Framework](#).

1.5. Scope of the Regulations

The Financial Regulations, including advice, guidance and accounting instruction notes issued to underpin the Financial Regulations, apply to all services of the Council.

Whilst Schools have their own Financial Regulations, some specific references are made to schools' operations within these Regulations (i.e. where particular responsibilities are placed upon Council officers that are not employed within schools and upon Members of the Council). Advice and guidance given to schools by the Council's officers will not be contrary to the Council's own Financial Regulations.

1.6. Scheme of Delegation for Financial Management

The Scheme of Delegation for Financial Management, as set out within Part Two of this document, defines how the responsibilities set out within the Financial Regulations are reserved or delegated to officers. This has to be read in conjunction with the general scheme of delegation to Officers which is set out in the [Constitution](#).

2. Financial roles and responsibilities

2.1. Introduction

The roles and responsibilities of Members and Officers are set out within the Council's [Constitution](#). The purpose of the Financial Regulations is to provide an overview of the respective financial roles and responsibilities of Members and Officers within the Council. Specific financial responsibilities are set out in more detail throughout the subsequent sections of the Regulations.

2.2. Council

The Council is responsible for:

- (i) Adopting and changing the [Constitution](#) (*including the Financial Regulations*), which sets out how the Council works, how decisions are made and the procedures to be followed to ensure efficiency, transparency and accountability to local people.
- (ii) Approving and adopting the policy framework which incorporates the Council's Corporate Plan and [Corporate Outcomes Framework](#) and various other plans and strategies, and is developed in line with the Council's Budget and [Code of Corporate Governance](#).
- (iii) Approving the annual budget, which includes:
 - The allocation of financial resources to different services and to capital projects, and the setting of trading activities' financial targets.
 - The level of contingency funds, reserves and balances to be held.
 - The Council Tax base and setting the Council Tax.
 - The Non-Domestic Rates tax base and setting the precept for Business Rates.
 - Decisions relating to the control of the Council's borrowing requirement, including setting of Prudential Indicators which define the parameters for borrowing activity, and the approval of the Council's Minimum Revenue Provision (MRP) policy for the repayment of debt.
 - The annual Treasury Management Strategy.
 - The annual pay policy statement.
- (iv) Making arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of these affairs.
- (v) Making arrangements for approving the statutory annual statement of accounts by dates specified by relevant regulations.

2.3. Cabinet

The Cabinet, under the direction and authority of the Leader, is responsible for:

- (i) The preparation of the Council's policies and budget.
- (ii) Taking decisions on resources and priorities to deliver and implement the Council's policies and budget.
- (iii) Determining overall Council priorities within the Budget and the Policy Framework set by full Council, to keep under review those priorities and to approve specific plans and strategies.

2.4. Overview and Scrutiny Committees

The Overview and Scrutiny committees exercise the function of call-in of decisions made by Cabinet Members which fall within their remit in order to consider whether:

- (i) To refer the decision back to the person who made it; or
- (ii) To refer the matter to the full Council to decide whether to refer the decision back to the person who made it; or
- (iii) To accept that the decision is implemented.

In this context, the Corporate Scrutiny Committee is responsible for scrutinising the financial arrangements and performance of the Council, including considering the budget and accounting processes. It also contributes to the Council's objectives in relation to the overall strategic direction, policies and priorities of the Cabinet and of the Council, including the overall corporate revenue and capital budget strategy, financial resources, precepts and levies.

2.5. Audit Committee

The functions of the Audit Committee are set out in full in the Council's [Constitution](#). However, in summary, the Committee's responsibilities with regard to the financial management of the Council include:

- (i) Approving the Council's Annual Statement of Accounts.
- (ii) Considering the Council's arrangements for corporate governance and risk management.
- (iii) Considering and commenting on the External Auditor's Annual Audit Letter and reports about the effectiveness of the Council's financial and operational arrangements.
- (iv) Ensuring that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit is actively promoted.

- (v) All matters related to the appointment of the Council's external auditor.
- (vi) Approving the annual Internal Audit plan, and receiving reports from the Council's Internal Auditor, including the annual report of the **Head of Internal Audit**.
- (vii) Monitoring the effectiveness of the Council's Financial Regulations, [Procurement Policy and Procedures](#) and other strategies for [anti-fraud and corruption](#), [declarations of interest](#), [gifts and hospitality](#), [whistle blowing](#) and [anti-money laundering](#).

2.6. Statutory Officers

2.6.1. Head of Paid Service

The **Chief Executive** is the **Head of Paid Service** and is responsible for the corporate and strategic management of the Council as a whole. The functions of the **Head of Paid Service** are explained fully in the Council's [Constitution](#).

2.6.2. Responsible Finance Officer

Section 151 of the Local Government Act 1972 specifies that every authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The Council's **Executive Director for Corporate and Customer Services** is the designated officer for this purpose. The **Director for Financial Services** fulfils the role of **Section 151 Officer** in the absence of the Executive Director for Corporate and Customer Services.

Throughout the remainder of this document, where it is stated that **Section 151 Officer** approval is required, this means the **Executive Director for Corporate and Customer Services**, or the **Director for Financial Services**, when acting in the capacity of Responsible Financial Officer for the Council in the absence of the **Executive Director for Corporate and Customer Services**.

The **Section 151 Officer** has statutory duties in relation to the financial administration and stewardship of the Council that cannot be overridden. These statutory duties arise from:

- (i) Section 151 of the Local Government Act 1972 which makes the **Section 151 Officer** responsible for the proper administration of the Council's financial affairs.
- (ii) Section 114 of the Local Government Finance Act 1988 which places a duty on the **Section 151 Officer** to report to all Members of the Council if it is considered that the Council, Cabinet or an employee has made (or is about to make) a decision involving expenditure or loss which is unlawful.
- (iii) The Local Government and Housing Act 1989 which requires the **Section 151 Officer** to consult with the **Monitoring Officer** and the **Head of Paid Service** before making a Section 114 report to Council.

- (iv) The Local Government Act which requires the **Section 151 Officer** to make a report to the Council, when it is considering its budget and council tax, that addresses the robustness of the estimates and adequacy of reserves.
- (v) The Accounts and Audit Regulations, which require the **Section 151 Officer** to ensure that the accounting control systems are observed, that the accounting records are maintained in accordance with proper practices and that they are kept up to date.

In order to fulfil these statutory duties and legislative requirements the **Section 151 Officer** will:

- (vi) Set appropriate financial management standards for the Council which comply with the Council's policies and proper accounting practices, and monitor compliance with them.
- (vii) Determine the accounting records to be kept by the Council.
- (viii) Ensure there is an appropriate framework of budgetary management and control.
- (ix) Monitor performance against the Council's budget and advise upon the corporate financial position.
- (x) Ensure proper professional practices are adhered to and to act as Head of Profession in relation to the standards, performances and development of finance staff throughout the Council; all finance staff will have a direct reporting line to the **Section 151 Officer**.
- (xi) Prepare and publish the Council's Statement of Accounts for each financial year, in accordance with the statutory timetable and arrangements specified by law.
- (xii) Make proper arrangements for the audit of the Council's accounts.
- (xiii) Ensure that claims for funds, including grants, are made by the due date and in compliance with the grant terms and conditions.
- (xiv) Make proper arrangements for the overall management of the Council's [Internal Audit](#) function.
- (xv) Manage the [treasury management](#) activities in accordance with the Council's Treasury Management Policy Statement, Treasury Management Strategy and Prudential Indicators.
- (xvi) Manage the Pension Fund within the scope of the Local Government Pension Scheme Regulations.

2.6.3. Monitoring Officer

The functions and responsibilities of the **Monitoring Officer** are carried out by the **Director for Corporate Law and Assurance**.

The functions of the Monitoring are explained fully in the Council's [Constitution](#). However, the functions that are pertinent in the context of the Financial Regulations include:

- (i) Reporting, after consultation with the Head of Paid Service and the Section 151 Officer, any actual or potential breaches of the law or mal-administration to the Council and/or to the Cabinet.
- (ii) Advising whether the decisions of Cabinet are in accordance with the budget and policy framework.
- (iii) Provision of advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors.

One of the Corporate Lawyers fulfils the role of the **Monitoring Officer** in the absence of the **Director for Corporate Law and Assurance**.

Throughout the remainder of this document, where it is stated that **Monitoring Officer** approval is required, this should be interpreted as meaning the **Director for Corporate Law and Assurance** (or the **Corporate Lawyer**) when acting in the capacity of **Monitoring Officer** for the Council in the absence of the **Director for Corporate Law and Assurance**.

2.7. Executive Directors

Executive Directors have delegated to them responsibility for the management of the finances of their services.

This responsibility must be exercised within the corporate financial management framework determined by the **Section 151 Officer**, and includes:

- (i) Putting in place appropriate budget management and delegation arrangements to ensure the effective use of resources, the safeguarding of assets and the operation of a system of appropriate internal controls.
- (ii) Promoting appropriate financial management standards within their Services, and monitoring adherence to the standards and practices, liaising as necessary with the **Section 151 Officer**, and ensuring that relevant training is provided to those staff with financial management responsibilities.
- (iii) Promoting sound financial practices in relation to the standards, performance and development of staff in their services.
- (iv) Advising Cabinet Members and the **Section 151 Officer** of the financial implications of all proposals.
- (v) Seeking approval, in conjunction with the **Section 151 Officer**, on any matter liable to affect the Council's finances materially, before any commitments are incurred.
- (vi) Consulting with, and obtaining the approval of, the **Section 151 Officer** before making any changes to accounting records or procedures.

- (vii) Complying with the following principles when allocating accounting duties:
 - Separating the duties of providing information about sums due to or from the Council and calculating, checking (*including reconciling the accounts*) and recording these sums from the duty of collecting or disbursing them.
 - Employees with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- (viii) Ensuring that claims for funds (*including grants and 'match funding'*) are made, in accordance with accounting instructions issued by the **Section 151 Officer** and the conditions defined by the grant awarding body, by the due date and that appropriate records are maintained.
- (ix) Contributing to the development of performance plans in line with statutory requirements.
- (x) Contributing to the development of corporate and service targets and objectives and performance information.

2.8. Internal Audit

Internal Audit will review, appraise and report upon:

- (i) The extent of compliance with, and effectiveness of, relevant policies, plans and procedures.
- (ii) The adequacy and application of financial and other related management controls.
- (iii) The suitability of financial and other related management data.
- (iv) The extent to which the Council's assets and interests are accounted for and safeguarded from loss of any kind from:
 - Fraud and other offences.
 - Waste, extravagance and inefficient administration.
 - Inefficient value for money or other causes.
- (v) Executive Directors' self-assessments of the status of the governance framework, including systems of internal controls in place, for each of their service areas.

Further details on the internal audit function are set out in paragraph **6.6.2**.

3. Financial Planning

3.1. Policy framework

The Council is responsible for agreeing the Council's policy framework and budget. In terms of financial planning, the key elements of the Budget are the:

- (i) Revenue Budget
- (ii) Capital programme
- (iii) Trading activities' financial plans
- (iv) Treasury Management, Prudential Indicators and Minimum Revenue Provision Policy
- (v) Medium term resources strategy
- (vi) Income and charging policy
- (vii) Pay policy

3.2. Corporate Policy Framework

The Council's ambitions are outlined in corporate policies. At the time of writing, the highest level document is the Council's [Vision for Essex](#). A [Corporate Outcomes Framework](#) translates the Council's ambitions into a set of outcomes and supporting indicators that guide the work of commissioners across the Council. A suite of supporting [Commissioning Strategies](#) describes the activities through which the Council will secure this progress.

The [Vision for Essex](#), [Corporate Outcomes Framework](#) and [Commissioning Strategies](#) are key elements of the Council's Strategic and Resource Planning Framework – through which the Council ensures that its resources are used to secure progress against a consistent and enduring set of aspirations.

3.3. Revenue budget

3.3.1. Revenue income and expenditure

Revenue income and expenditure represents the current or day to day running costs, and associated receipts, of the Council; including salaries, heating and lighting, travelling and office expenses, income raised by charging service users and government grants.

3.3.2. Revenue budget

Budgets (spending plans) ensure that the Council can plan, authorise, monitor and control the way money is allocated and spent.

The revenue budget must be constructed so as to ensure that resources are allocated in a way that reflects the service plans and priorities of the Council. The **Section 151 Officer** is responsible for developing and maintaining a resource allocation process that ensures this is achieved.

3.3.3. Budget preparation

The **Cabinet Member for Finance** and the **Leader**, in conjunction with the **Section 151 Officer**, will manage the preparation of the budget on an annual basis for consideration by the Council. The annual budget will include allocations to different services and projects, proposed taxation levels and contingencies.

The **Section 151 Officer**, in consultation with the **Cabinet Member for Finance**, will issue detailed guidance and a timetable for production of the budget. Executive Directors must prepare detailed draft revenue and capital budgets, in consultation with the **Section 151 Officer** and the **Cabinet Member for Finance**, and in accordance with the laid-down guidance and timetable, for consideration by the appropriate Cabinet Member.

Detailed budgets, as proposed by Executive Directors, will be subject to challenge and review through a process determined by the **Section 151 Officer**. Any proposed changes to service levels as a result of budget plans will be subject to an **Equalities Impact Assessment** as part of the consideration process before approval and implementation. The Council will engage partners in the budget preparation process where possible and appropriate.

The **Section 151 Officer** has a statutory duty to report upon the budget proposals presented to Council (see paragraph 2.6.2). Executive Directors must provide the **Section 151 Officer** [Section 151 Officer](#) with any information required to enable the robustness of the budget proposals to be assessed.

The budget and the implied level of taxation will be presented for approval by Full Council, following recommendation by the Cabinet. Council Tax and Non-domestic rates must be set by **1st March** in the year prior to the year of taxation.

3.3.4. Format of the budget

The format of the budget determines the level of detail to which financial control and management will be exercised. The format shapes how the rules around virement operate and sets the level at which funds may be reallocated within budgets (*see paragraph 4.3.3 for further details*).

3.3.5. Maintenance of reserves and balances

Reserves are maintained to enable the Council to cope with unpredictable financial pressures, and to plan for future spending commitments. A general reserve (*i.e. the General Balance*) is maintained as a contingency to protect the budget against cost pressures, whilst earmarked reserves are held to protect funds for specific purposes.

The creation of any reserve will be subject to the approval of the **Cabinet Member for Finance**, upon the advice of the **Section 151 Officer**, as will any proposal to increase a reserve. For each reserve established, the purpose, usage (*including the timeframe for usage*) and basis of transactions will be clearly articulated.

The withdrawal of funds from a reserve will require the approval of the **Cabinet Member for Finance**, upon the advice of the **Section 151 Officer**. In the case of balances held by schools, the appropriate Board of Governors are responsible for giving authorisation.

The **Section 151 Officer** will advise upon prudent levels of reserves and balances for the Council, taking into account the degree of risk in the budget for the Council over the medium and longer term.

Under section 114 of the Local Government Finance Act 1988 the **Section 151 Officer** must report to Council if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the Council will not have the resources to meet its expenditure in a particular financial year.

3.4. Capital financial planning

3.4.1. Capital expenditure

Expenditure is classified as capital expenditure when it results in the acquisition or construction of an asset (e.g. land, buildings, roads and bridges, vehicles, plant and equipment etc.) that:

- (i) Will be held for use in the delivery of services; and
- (ii) Is expected to be used during more than one financial year.

Subsequent expenditure on existing assets is also classified as capital expenditure if these two criteria are met.

There may be instances where expenditure does not meet this definition but would nevertheless be treated as capital expenditure, including:

- (i) Where the Council has no direct future control or benefit from the resulting assets, but would have treated the expenditure as capital if it did control or benefit from the resulting assets.
- (ii) Where the Government has given explicit permission to capitalise expenditure that would not otherwise be so classified (this is rare though).

The Council operates a number de-minimis limits for capital expenditure. This means that items below these limits are charged to revenue rather than capital. The limits are currently as follows:

De-minimis limits	£
General limit (<i>to be applied where no specific limit is applicable</i>)	10,000
Specific limits:	
▪ Schools' capital projects funded or supported by Formula Capital Grant	2,000
▪ Transport (Highways) infrastructure	Nil
▪ Land	Nil

Where expenditure meets the 'capital expenditure' definition and is in excess of the Council's de-minimis limits, it will be classified as capital expenditure, even if provision exists within the Revenue Budget to fund the work (*and vice versa*).

Similarly, where specific financing (*e.g. government grant*) is provided to facilitate a project, this will not determine the accounting treatment of the expenditure. That is, the accounting treatment is determined according to the type of expenditure, and not by the funding source (*see paragraph 5.1*).

3.4.2. Capital programme

The **Cabinet Member for Finance**, in conjunction with the **Section 151 Officer**, will manage the preparation of a capital programme, on behalf of the Council, on an annual basis in accordance with the Council's capital projects' governance arrangements and capitalisation criteria.

Each scheme that is added to the Capital Programme is allocated:

- (i) A '**start date**' for planning purposes;
- (ii) An overall '**scheme approval**' which sets the overall budget for the scheme; and
- (iii) An '**annual payments guideline**' which sets the parameters for expenditure in each of the financial year's over which the scheme is expected to span.

3.4.3. Financing of capital expenditure

The **Cabinet Member for Finance**, in conjunction with the **Section 151 Officer**, will determine the financing of the capital programme, taking into consideration the availability of reserves and balances, funding from other bodies and the affordability of borrowing.

3.5. Leasing and rental arrangements

Leases of land or buildings and other property agreements will only be authorised for completion, on the Council's behalf, in accordance with the delegations set out in paragraph **7.1.4** (page 45). The relevant Finance support will be consulted as part of this process.

Other leasing arrangements (*including rental agreements and hire purchase arrangements*) will only be entered into with prior approval, as follows:

Type of lease	Approval required
Vehicles, plant and equipment	▪ Section 151 Officer
Cars secured through the Car Provision Scheme	▪ Executive Directors; or ▪ Directors

Prior approval to enter into leases is required to ensure that:

- Leases that constitute credit arrangements are taken into account when the Council determines its borrowing limits;
- Such arrangements represent best value for money and are accounted for appropriately.

3.6. Internal Trading Activities

3.6.1. Definition and framework

The main types of trading activity permitted by the Council include those who are:

- Providing all, or the majority, of their services in an environment where their customers have the option to use them or an alternative service provider; and
- Charging for the full cost of the goods / services they provide, on the basis of an agreed charge or rate.

Services are only permitted to operate as a trading activity with the prior approval of the Cabinet, following consultation with the **Section 151 Officer**.

Trading activities are each required to maintain a Trading Account into which all expenditure related to the provision their services will be charged (i.e. *including direct costs, the full costs of services provided by the Council's support services, any service management provided by senior managers and asset and other accounting charges*). Trading Accounts will also receive all income due for work done by the trading activity.

Trading activities are required to balance their budget by generating sufficient income to cover the full costs of service provision.

Trading activities must operate within the Council's overall arrangements and rules for personnel and resource management. Cabinet may approve special arrangements in exceptional circumstances, where it can be demonstrated that adherence to these rules and arrangements would lead to the unit becoming uncompetitive and losing work and that the proposed departure does not expose the Council to significant risk.

3.6.2. Financial targets

Each trading activity must prepare an annual financial plan for approval by the Council as part of the annual budget setting (*see paragraph 3.1, on page 13*), and which defines the expected levels of income and expenditure for the year.

Trading activities must, as a minimum, aim to break-even (*i.e. only incur expenditure that can be financed from the income the activity expects to generate during the year*). It is only permissible to plan for a deficit in exceptional circumstances, and then only if the deficit can be met from the trading activity's own accumulated revenue reserves or, in exceptional circumstances, from an approved contribution from the General Fund.

3.6.3. Trading reserves

Trading activities are permitted to retain the surpluses they generate, provided they can demonstrate that these are necessary for the future business needs of their operations. The **Section 151 Officer** will advise Cabinet, after consultation with the relevant Executive Director(s), if the level of cash balances held by a trading activity are in excess of those deemed necessary to meet the business needs of the operation. The **Cabinet Member for Finance** will then determine whether the excess balances are transferred to the General Fund Balance or another reserve.

The approval of the **Cabinet Member for Finance** is required where it is proposed to transfer part of a trading activity's reserves to finance expenditure by a Service, or to make a contribution from a Service to a trading activity.

3.7. Treasury management, prudential and MRP policy

The **Cabinet Member for Finance**, in conjunction with the **Section 151 Officer**, will propose an annual Treasury Management Strategy, Prudential Indicators and a policy for the revenue provision for the repayment of debt (*referred to as the 'Minimum Revenue Provision' policy*) to the Council in advance of the start of the relevant financial year that is consistent with the Council's revenue budget and capital programme proposals.

This Strategy is required to comply with CIPFA's Codes of Practice on Treasury Management and the Prudential Framework for Capital Finance, relevant Regulations and with the Council's own Treasury Management Policy Statement and Treasury Management Practices; it will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year.

3.8. Medium term resources strategy (MTRS)

The MTRS brings together the key assumptions about financing resources (including council tax, non-domestic rates and revenue support grant) and spending pressures over the medium to longer term. This enables the Council to plan for financial risks and thus inform the setting of service financial targets for the annual revenue budget and capital payments guidelines. The setting of financial targets within the available resource envelope is completed with reference to the priorities set within the Policy Framework.

The **Section 151 Officer** will ensure that reports are presented to Council, as part of the annual budget setting, upon the medium term budget prospects and the resource constraints set by the Government.

3.9. Income and charging policy

Executive Directors, in consultation with the **Section 151 Officer**, will follow the Council's charging policy for the supply of goods or services where charges may be lawfully applied and the annual forecast of the recoverable amount is **£250,000** or more. Charges will be reviewed annually. All new charges, and amendments to existing charges, will be subject to formal approval in accordance with the Council's Constitution. Further guidance is contained in the Council's Fees and Charges policy.

Further detail on income is provided in Section 8.1, which commences on page 52.

3.10. Pay Policy Statement

The pay policy statement will be prepared as required by law. At present it is required to set out the Council's policy on the level and elements of remuneration for each chief officer, the remuneration of its lowest paid employees, and the relationship between the remuneration of its chief and other officers. It is also required to address other specific aspects of chief officer remuneration such as remuneration on recruitment, increases and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency. This policy is produced annually or as required by law and is approved by Council, in alignment with the budget setting timetable.

4. Financial Management

4.1. Introduction

Financial management covers all financial accountabilities in relation to the running of the Council, including the policy framework, revenue budget, trading activities' financial plans, capital programme and treasury management.

4.2. Financial management standards

All officers and Members have a duty to abide by the highest standards of probity in dealing with public money. This is facilitated by ensuring everyone is clear about the standards to which they are working and by the controls that are in place to ensure that these standards are met.

4.3. Revenue budget monitoring and control

4.3.1. Budget management

The Council operates within an annual cash limit, approved when the annual budget is set. To ensure that the Council does not over spend in total, each service is required to manage its own expenditure and income recovery within the cash limited budget allocated to it. Budget management also ensures that once the Council has approved the budget, the resources are used for their intended purposes and are properly accounted for.

4.3.2. Framework for budgetary control

Once the budget is approved by the Council, Executive Directors are authorised to incur expenditure in accordance with the approved budget, subject to the limits in the Constitution and the scheme of delegation to officers. Executive Directors must however maintain effective budgetary control within their service(s) to ensure that spending is contained within the annual cash limit and to secure value for money (i.e. as measured by cost efficiency and output effectiveness).

Executive Directors must ensure that no commitments are made that would result in an approved budget being exceeded. Prior approval must be obtained to increase the budget either by virement (*see paragraph 4.3.3*) or by a supplementary estimate (*see paragraph 4.3.4*) before additional commitments are made.

In addition, subject to the limits in the Constitution and the scheme of delegation to officers, Executive Directors may exceptionally incur additional expenditure in an emergency (*see paragraph 8.7 for the approval required to make an emergency payment*). In such situations, retrospective approval must be sought, as soon after the event as possible, to offset the additional expenditure by virement or supplementary estimate.

Executive Directors will:

(i) Ensure that all income and expenditure is properly recorded and accounted for

Executive Directors will ensure that all officers responsible for committing expenditure comply with all relevant guidance, and follow approved certification processes.

(ii) Ensure that an appropriate budget holder structure is in place to ensure that responsibility is assigned for each item of income and expenditure under their control

Budget holders will be accountable for the effective management of the budgets allocated to them to either oversee or directly manage, even where they put delegations in place that enable officers to commit expenditure on their behalf.

(iii) Ensure that individual policy budgets are not over spent

It is expected that Portfolio budgets will be managed within the agreed cash limit budget, and Executive Directors, in consultation with the relevant Cabinet Member(s), will use the virement scheme (see paragraph 4.3.3) to achieve this by moving the under spend to the area of over spend. Where more specific management actions are required to save funds, then this needs to be clearly set out in a budget recovery plan which can be monitored to ensure the safe delivery of the budget at both portfolio and policy budget level.

In ensuring compliance with this requirement, the Executive Director, the **Section 151 Officer** and / or Cabinet Members may require a budget holder with a projected over spend to prepare a budget recovery plan which explains the actions being taken to mitigate the position.

(iv) Ensure that a monitoring process is in place

A monitoring process is required to review performance and / or service levels in conjunction with the budget and to ensure they are operating effectively.

(v) Regularly report to the relevant Cabinet member(s)

Such reports will be prepared, in consultation with the **Section 151 Officer**, upon the service's projected 'controllable net expenditure' compared with its budget. Cabinet Members must be fully briefed, as part of this process, on any budget pressures and any proposal to address these pressures by virement (*see bullet point (vii) below*).

(vi) Ensure prior approval by the Cabinet (as appropriate) for new proposals

Prior approval of the Cabinet or Cabinet Members may be required for key decisions or for proposals that create financial commitments in future years or which materially extend or reduce the Council's services, or which initiate new ones.

(vii) Ensure compliance with the Scheme of Virement

The scheme of virement is explained within paragraph **4.3.3**.

- (viii) **Agree with the relevant Executive Director(s) where it appears that a budget proposal, including a virement proposal, may impact on their service area**
- (ix) **Ensure that relevant training is delivered to all staff assigned responsibility for budget management**

Officers will undertake approved finance training prior to commencement as an operational budget holder and/or as an authorised signatory, to ensure they have the necessary knowledge and skills to effectively perform their financial responsibilities; refresher training will be undertaken at 24 monthly intervals thereafter.

The **Section 151 Officer** will ensure that each budget holder receives or has access to timely information on income and expenditure for each budget, which is sufficiently detailed to enable them and their managers to fulfil their budgetary responsibilities.

The **Section 151 Officer** will monitor performance against the Council's budget on an on-going basis, and will advise upon the Council's overall financial position. Specifically, the **Section 151 Officer** will prepare financial overview reports for the **Cabinet Member for Finance** to present to Cabinet on a regular basis. These financial overview reports will:

- Provide a comparison of the Council's projected income and expenditure and the latest approved budget;
- Include an assessment of the Council's reserves and balances and overall financial position; and
- Seek approval to changes to the approved budget (*including virements between policy budgets, supplementary estimate requests and changes to the scheme and payment approvals for capital projects*).

4.3.3. Scheme of virement

As detailed in paragraph 4.3.2, Executive Directors must ensure that spending remains within the service's overall cash limit, and that spending does not exceed individual policy budget headings. It is however permissible, in certain circumstances, to switch resources between approved budget headings, subject to obtaining the necessary approval. The switching of resources between approved policy budget headings is referred to as a virement.

The virement rules are as follows:

- (i) No expenditure shall be incurred without appropriate budget provision and, if necessary, a virement should be undertaken to put this in place before the expenditure is incurred.

- (ii) No virement relating to a specific financial year should be made at the end of the financial year after the date specified within the **Section 151 Officer**' timetable for closure of the accounts.
- (iii) Virements are not permitted in relation to asset charges or other budget headings that are deemed to be outside the control of the relevant budget holder, or where a proposal would adversely affect long-term revenue commitments.
- (iv) Virements are not permitted between revenue and capital budgets. Changes to the capital programme will be dealt with in accordance with section 4.4 (see page 27).
- (v) A virement that is likely to impact on the level of service activity of another budget holder can be implemented only with the agreement of the relevant budget holder(s).
- (vi) Amounts that require Member approval must specify the proposed expenditure and the source of funding, and must explain the implications in the current and future financial years.
- (vii) Where a Cabinet Member's approval is required to a virement, this approval will normally be sought via a 'Cabinet Member Action' or a report to Cabinet.
- (viii) When a Cabinet Member is making a decision on an operational matter, any necessary virements must be included as part of that decision.
- (ix) Virements that are being actioned to effect a change in policy or priorities (*either within the same portfolio or between portfolios*) will be subject to the following approval:

Amount	Minimum approval required
Up to £500,000	Executive Director following consultation with the Director and Head of Service / Operational Budget Holder.
In excess of £500,000, but less than £5m	Cabinet Member for Finance , following consultation with all of the above, plus the Section 151 Officer and Service Cabinet Member.
£5m and above	Cabinet , following consultation with all of the above.

Exceptions to the virement rules are as follows:

- (x) The virement rules do not apply to the movement of budget between the individual budget headings of an individual trading activity, because trading activities are controlled to an overall financial target rather than against individual expenditure and income headings (see paragraph 3.6.1). The approval of the **Cabinet Member for Finance** is however required to transfer resources between individual trading activities and to/from the General Fund, see paragraph 3.6.3.

- (xi) Member approval is not required where a budget will continue to be used for the approved purpose but is being moved, for example, to reflect a change in budget holder responsibilities. Such transfers will however require the approval of the relevant Head(s) of Finance or the Chief Accountant.
- (xii) Member approval is not required for budget movements arising in order to comply with the CIPFA Service Expenditure Reporting Code of Practice guidance on accounting for overheads, or budget movements arising in order to comply with proper accounting practice. Approval is required from the relevant Head of Finance and/or the Chief Accountant.

4.3.4. Supplementary estimates

In the event that it is not possible to move resources between budget headings to meet a liability, a request may be made for additional funding from the General Balance, an earmarked revenue reserve or from the Emergency Contingency. Requests for additional funding are referred to as supplementary estimates.

Supplementary estimates can only be requested for one-off purposes, although it may be possible to request funding for a project that spans more than one financial year. Where additional funding is required on an on-going basis, the full year effect must be addressed through the revenue budget setting process (see paragraph 3.3.3).

A request for a supplementary estimate must specify:

- (i) the total amount of funding required, including the profile across financial years of the proposed expenditure;
- (ii) the source(s) of the supplementary funding (*which will be advised by the **Section 151 Officer***); and
- (iii) why the supplementary funding is required and whether there are any on-going cost implications.

Following consultation with the **Section 151 Officer**, supplementary estimates are subject to the approval of the **Cabinet** (*via the Financial Overview Reports*), or the **Cabinet Member for Finance**.

Where supplementary funding is requested for a project that slips into the following financial year, or which progresses ahead of schedule, the supplementary funding can be re-profiled between financial years without the need for further approval up to a threshold of **£500,000** and provided that:

- (i) the funding is still being used for the approved purpose; and
- (ii) the agreed amount is not exceeded.

The approval of the **Cabinet Member for Finance** is required to re-profile supplementary estimates in excess of **£500,000** between financial years.

4.3.5. Treatment of year end balances

(i) Carry forward scheme

In certain circumstances, it is permissible to transfer resources between accounting years (*i.e. carry unspent budget forward for use in the following year or fund an over spend in the current year from next year's budget allocation*).

The **Section 151 Officer** is responsible for agreeing with the **Cabinet Member for Finance** the procedures for carrying forward under or over spends. The **Section 151 Officer** administers the agreed scheme in accordance with the guidelines set by the **Cabinet Member for Finance**.

Approval to carry forward under spends will not be given prior to consideration by Cabinet of the final outturn position and overall financial position of the Council upon closure of the accounts, as the Council's ability to support the carry forward requests will need to be assessed in the context of the overall financial position of the authority.

Where supplementary estimates (*see paragraph 4.3.4*) have been provided during the year, for the purpose of funding controllable expenditure, the value of the supplementary estimate shall be deducted from any amounts that the relevant service may be permitted to carry forward into the following financial year. The Cabinet has discretion to waive this restriction.

Over spends will be carried forward and deducted from the relevant service's budget in the following year, unless the Cabinet agrees otherwise.

Where a Service identifies the need to incur expenditure in the current financial year for which budget provision has been made in the following year's budget, a supplementary estimate can be requested when this is done in a planned way, and in advance of the expenditure being incurred. In this instance the following year's budget will be correspondingly reduced and the current year's increased expenditure will not be categorised as an over spend.

(ii) Trading activities

Internal trading activities' surpluses are carried forward, unless determined otherwise by the **Section 151 Officer** (and subject to the considerations outlined in paragraph 3.6.3). Any deficits, however they arise, will be financed by a withdrawal from the relevant Trading Activity's accumulated reserves, or from an approved contribution from the General Fund Balance (*see paragraph 3.6.2*).

(iii) Partnership schemes

The funding of some partnership schemes is ring-fenced (*including the contribution made by the Council*) and is not therefore available for alternative use by the Council. The unspent balances on approved partnership schemes will be carried into an earmarked Partnerships Reserve, which can be drawn upon to finance expenditure by the partnerships in a subsequent year.

(iv) Grant funded schemes

Where revenue grants and contributions are recognised as income in advance of the related expenditure being incurred, the unspent grant will be carried into an earmarked Grants Equalisation reserve, which can be applied, and matched with the related expenditure, in a subsequent year.

(v) Dividends received

Dividends received from subsidiaries of the Council will be treated as corporate income and use of such income will be determined by the **Cabinet Member for Finance**.

(vi) Individual Schools' budgets

Individual Schools' budgets are ring-fenced in accordance with statutory provisions.

Under spends against individual schools' budgets are appropriated into the Schools' reserve to support expenditure in a later year by the school(s) concerned.

School over spends are financed by a withdrawal from the Schools' reserves accumulated in previous years. Where an unplanned deficit occurs, the governing body must prepare a detailed financial recovery plan, which will be evaluated by the **Executive Director for People Commissioning** and the **Section 151 Officer**. If the deficit exceeds 5% of the school's budget, the plan will be referred to the Service Cabinet Member. Schools will be expected to agree a plan to recover the deficit within a defined period.

4.4. Capital monitoring and control**4.4.1. Approval to spend**

Once the capital programme or a scheme is approved, Executive Directors are, subject to the limits in the Constitution and scheme of delegation to officers, authorised to progress with capital projects that have:

- (i)** An approved 'start' date in the current or a prior financial year (*i.e. schemes with a start date in a future financial year are indicative only, and do not constitute approval to spend*); and
- (ii)** Adequate scheme and payments approval in the capital programme to finance these projects.

4.4.2. Framework for budgetary control

The principles and framework for managing the revenue budget (*as set out within paragraphs 4.3.1 and 4.3.2*) apply equally with regards to the monitoring and management of individual capital projects (*i.e. named schemes and 'block' approvals*) within their scheme and payment approvals.

4.4.3. Scheme of Virement

In the event that an over spend arises against one scheme or 'block' approval, corrective action must be taken to remedy the position.

Where it is intended to redress an over spend by utilising savings against another approved project (or 'block' approval) the following permission will be required to vary the payment guidelines and scheme approvals for both projects:

Amount	Minimum approval required
Up to £500,000	Executive Director (<i>following consultation with the Section 151 Officer, to ensure that there are no adverse implications upon capital financing resources, the Cabinet Member for Finance, relevant Director and Head of Service / Operational Budget Holder</i>)
In excess of £500,000, but less than £5m	Cabinet Member for Finance (<i>following consultation with all of the above, plus the Section 151 Officer and the Service Cabinet Member</i>)
£5m and above	Cabinet (<i>following consultation with all of the above</i>)

The scheme of virement, as set out in paragraph 4.3.3, does not otherwise apply to capital expenditure, as approval to capital expenditure is given on a scheme by scheme (or 'block' approval) basis, rather than by portfolio/service.

4.4.4. Re-profiling of payment guidelines between years

Where it is anticipated that a scheme with approval to 'start' will be progressed at a different rate to that scheduled (such that expenditure is expected to vary from the approved payment guideline for the year) approval must be sought to re-profile the payment guidelines for the scheme (or block approval).

For a scheme with approval to 'start', the re-profiling of the capital payment guidelines between financial years is subject to agreement as follows:

Amount	Minimum approval required
Up to £500,000	Executive Director (<i>following consultation with the Section 151 Officer, to ensure that there are no adverse implications upon capital financing resources, the Cabinet Member for Finance, the relevant Director and Head of Service / Operational Budget Holder</i>).

Amount	Minimum approval required
In excess of £500,000, but less than £5m	Cabinet Member for Finance (<i>following consultation with all of the above, plus the Section 151 Officer and the Service Cabinet Member</i>).
£5m and above	Cabinet (<i>following consultation with the Service Cabinet Member and the Section 151 Officer</i>).

The above approval will also be required where it is intended to accelerate a scheme that is within the Capital Programme with an indicative start beyond the current financial year, where it is proposed to change the start date to within the current financial year.

4.4.5. Adding scheme and payment approvals to the Capital Programme

Schemes will usually only be added to, or removed from, the Capital Programme as part of the annual budget setting process referred to in paragraph 3.4.2 (see page 16).

Any request outside of this process to change the capital programme by adding or removing schemes, or by allocating additional scheme and payment approvals to an approved scheme, must be approved as follows:

Amount	Minimum approval required
Up to £5m	Cabinet Member for Finance (<i>following consultation with all of the above, plus the Section 151 Officer and the Service Cabinet Member</i>).
£5m and above	Cabinet (<i>following consultation with all of the above</i>).

4.5. Trading activities

Trading activities must manage their income and expenditure to an overall financial target (*see paragraph 3.6.2*); in doing so, trading activities must operate within the Council's framework for budgetary control (*as outlined within paragraph 4.3.2*).

Cabinet approval is required to alter a trading activity's overall financial target (*via the quarterly Financial Overview Reports*).

Where the proposed target reflects a worsening position that will result in a loss for the year, the request to amend the financial target must explain how the loss is to be financed and the plans for recovery from this position. Where a surplus is now forecast, above that previously reported, the request to amend the target must explain whether and why the additional surplus is to be retained by the trading account.

5. Accounting records and financial systems

5.1. Accounting records

Maintenance of proper accounting records is one of the ways in which the Council discharges its responsibility for stewardship of public resources.

The **Section 151 Officer** is responsible for determining the accounting procedures and records for the Council, and for the compilation of all accounts and accounting records.

The Council's accounting records are maintained within its General Ledger. A standard coding convention is maintained within the General Ledger that enables actual and budgeted income and expenditure to be analysed by:

- (i) Category (*i.e. revenue, capital, balance sheet*);
- (ii) Type (*e.g. employee costs, premises related expenditure, supplies and services etc.*); and
- (iii) Activity (*e.g. passenger transport, country parks etc.*).

This coding convention facilitates the analysis of income and expenditure in a variety of ways (*i.e. according to the political and management structures of the Council, as well as satisfying the Council's statutory reporting requirements*). The integrity of the Council's financial reporting for management and statutory purposes is therefore dependent upon transactions being coded correctly at source.

Executive Directors are responsible for ensuring that their services (*including those delivered through strategic partnerships*) comply with the coding conventions adopted within the General Ledger. This includes adherence to the standard subjective classifications for categories of income and expenditure. The requirement to adhere to this standard classification applies even where expenditure on projects have 'net nil' budgets (*i.e. expenditure is matched with income*).

In the event that application of this standard classification results in under or over spends, appropriate action must be taken to re-align the budgets (*see paragraphs 4.3.3 and 4.3.4*); the guiding principle being that budget provision should follow expenditure and/or income, and not vice versa.

5.2. Annual statement of accounts

The Council has a statutory responsibility to prepare its accounts to present a true and fair view of the financial performance and results of its activities during the year, and is responsible for approving and publishing those annual statements in accordance with the timetable specified in the Accounts and Audit Regulations.

The **Section 151 Officer** is responsible for selecting suitable accounting policies, and for applying them consistently, to ensure that the Council's annual statement of accounts is prepared in compliance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and other relevant accounting standards and statutory provisions. In addition, the **Section 151 Officer** will ensure that the Statement of Accounts is compiled, approved and published in accordance with the statutory timetable specified within the Accounts and Audit Regulations.

The **Section 151 Officer** will issue accounting instructions on closure of the accounts, including a timetable, annually. All budget holders must comply with these accounting instructions and supply the information requested by the dates specified.

The **Section 151 Officer** must sign and date the Statement of Accounts, thereby confirming that the accounts give a 'true and fair' view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March.

The **Section 151 Officer** is responsible for making proper arrangements for the audit of the Council's accounts.

5.3. Financial Systems

The **Section 151 Officer** has responsibility for ensuring that the Council's financial systems (*including any financial elements of non-financial or integrated systems*) are sound, properly maintained and that they are held securely. The **Section 151 Officer** will therefore determine the accounting systems, form of accounts and supporting financial records.

Executive Directors must ensure that prior approval is obtained from the **Section 151 Officer and Director for Information Services** (Chief Information Officer) to operate any financial system (including any elements of a non-financial or integrated system relied upon for financial reporting purposes) within or on behalf of their area of responsibility. Prior approval must also be obtained from the **Section 151 Officer and Director for Information Services** (CIO) to make changes to any such systems already being operated within a service area. The 'go live' sign-off criteria, as defined by the **Director for Information Services** (CIO), must be complied with in respect of implementation or amendment to any financial systems (*or non-financial or integrated system relied upon for financial reporting purposes*) operated within, or on behalf of, a Service area. A [S151 Officer Change Request Form](#) must be submitted to the **Section 151 Officer** for approval prior to making any changes to such systems.

Systems must be documented and backed up, and disaster recovery and business continuity plans must be maintained to allow information system processing to resume quickly in the event of an interruption. Executive Directors will ensure that an adequate audit trail exists through the computerised system and that audit reviews are being carried out, as necessary.

Where appropriate, the data processed by computer systems will be notified to the Information Commissioner in accordance with [data protection legislation](#).

Relevant policies and guidelines for computer systems and equipment that are issued by the Director for Information Services (CIO) will be observed.

6. Risk Management and Internal Control

6.1. Introduction

It is essential that robust, integrated systems are developed and maintained for identifying and evaluating all significant strategic and operational risks to the Council. This should include the proactive participation of all those associated with planning and delivering services.

6.2. Risk management

Risk management is concerned with evaluating the measures in place, and the actions needed, to identify and control risks effectively. The objectives are to secure the Council's assets and to ensure the Council's continued financial and organisational wellbeing.

The Audit Committee consider the Council's [Risk Management Policy and Strategy](#), and advise on any action necessary to ensure compliance with best practice, and the Cabinet approves it. The Corporate Management Board and Political Leadership team keep under review the strategic risk register and promote a culture of risk management awareness throughout the Council.

The **Head of Organisational Risk** is responsible for preparing the Council's [Risk Management Policy and Strategy](#), and for promoting it throughout the Council where appropriate. The **Head of Organisational Risk** will:

- (i) Ensure that procedures are in place to identify, assess and prevent or contain material risks, and also allow for the identification and management of positive opportunities.
- (ii) Regularly review the effectiveness of risk reduction strategies and controls.
- (iii) Engender a positive attitude towards the control of risk.
- (iv) Provide relevant information on risk management initiatives, and training on risk management.
- (v) Ensure that acceptable levels of risk are determined.

The **Head of Organisational Risk** is also responsible for:

- (vi) Developing risk management controls, including Business Continuity Planning, in conjunction with Executive Directors.
- (vii) Ensuring that the Council has effective business continuity plans for implementation in the event of disaster which results in significant loss or damage to its resources, and threatens its activities.

Executive Directors must have regard to the advice of the **Head of Organisational Risk**, and adhere to the Council's [Risk Management Policy and Strategy](#). Specifically, Executive Directors must:

- (viii) Take full ownership of all risks within their areas of responsibility, including those related to partnerships in which their services participate.
- (ix) Ensure that risk management is implemented in line with the Council's Risk Management Strategy and the minimum standard for business planning process.
- (x) Appoint a Risk Champion and authorise him/her to progress effective risk management that adheres to corporate guidelines.
- (xi) Identify and manage risks and ensure that mitigating actions are regularly reported.
- (xii) Have regard to other specialist officers (*e.g. crime prevention, fire prevention, information governance, health and safety*).
- (xiii) Ensure there are appropriate arrangements within their service area to identify risk issues and take appropriate action to mitigate the effects of them and maximise opportunities. This includes ensuring that the relevant officers are trained to manage risk and where required provide a defence for the Council.
- (xiv) Make sure that consideration is given and appropriate arrangements are made to ensure service delivery by 3rd party providers and delivery vehicles.
- (xv) Ensure that service programme, project and partnership risk registers are compiled, and kept up to date.

6.3. Insurance

The Cabinet is responsible for ensuring that proper insurance arrangements exist. The **Section 151 Officer** is responsible for advising the Cabinet on proper insurance cover, and will:

- (i) Effect corporate insurance cover, through external insurance and internal funding, and negotiate all claims in consultation with other officers, where necessary.
- (ii) Include all appropriate employees of the Council in suitable fidelity guarantee insurance.
- (iii) Offer insurance cover to schools in accordance with arrangements for financing schools.
- (iv) Ensure that provision is made for losses that might result from identified risks.
- (v) Ensure that procedures are in place to investigate claims within required timescales.
- (vi) Be aware of and manage effectively operational risk to the Council.

The settling of insurance claims against the Council will be subject to approval as follows:

Amount	Minimum approval required
Up to £20,000	Senior Claims Handler
In excess of £20,000 and up to £150,000	Insurance Manager
In excess of £150,000 and up to £500,000	Head of Service with responsibility for insurance arrangements
In excess of £500,000 and up to £1m	Director with responsibility for insurance arrangements (in consultation with the above)
In excess of £1m	Section 151 Officer (in consultation with all of the above Director)

Executive Directors must comply with all relevant Insurance terms and conditions, to include:

- (vii) Notifying the **Section 151 Officer** immediately of any loss, liability or damage that may lead to a claim against the Council, together with any information or explanation required by the **Section 151 Officer** or the Council's insurers.
- (viii) Notifying the **Section 151 Officer** promptly of all new risks, properties or vehicles that require insurance and of any alterations affecting existing insurances.
- (ix) Consulting the **Section 151 Officer** and the **Monitoring Officer** on the terms of any indemnity that the Council is requested to give.
- (x) Ensuring that employees, or anyone covered by the Council's insurances, do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

6.4. Internal Control and the governance framework

The Council faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its strategic objectives and statutory obligations. Internal controls are devised by management to help ensure the Council's objectives are achieved in a manner that promotes economical, efficient and effective use of resources and that the Council's assets and interests are safeguarded.

It is the responsibility of the **Section 151 Officer** to assist the Council to put in place an appropriate control environment and effective internal controls that adhere with proper practices, and provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations.

The system of internal control is a significant part of the Council's governance framework. The **Section 151 Officer** will compile an Annual Governance Statement each year. The Governance Statement will be compiled with reference to proper practices in relation to governance (*principally the CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government'*).

The governance framework, control environment and internal controls include:

- (i) Identification and communication of the Council's vision of its purpose and intended outcomes for citizens and service users.
- (ii) Reviewing the Council's vision and its implications for the Council's governance arrangements.
- (iii) Measuring the quality of services for users, and ensuring they are delivered in accordance with the Council's objectives and that they represent the best use of resources.
- (iv) Project management.
- (v) Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.
- (vi) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.
- (vii) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedural notes/manuals, which clearly define how decisions are taken and the processes and controls required for managing risks.
- (viii) Undertaking the core functions of an Audit Committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
- (ix) Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.
- (x) Whistle blowing and arrangements for receiving and investigating complaints from the public.
- (xi) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.
- (xii) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report Governing Partnerships: Bridging the Accountability Gap, and reflecting these in the Council's overall governance arrangements.
- (xiii) Policies, objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action.

- (xiv) Financial and operational control systems and procedures which comprise physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.
- (xv) An effective internal audit function that is appropriately resourced, and which operates in accordance with the principles contained in the Auditing Practices Board's auditing guideline Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

It is the responsibility of Executive Directors to:

- (xvi) Establish sound arrangements for planning, appraising, authorising and controlling their operations in order to achieve continuous improvement, economy, efficiency and effectiveness; and for achieving their financial performance targets.
- (xvii) Manage processes to check that controls are adhered to and to evaluate their effectiveness, in order to be confident in the proper use of resources, achievement of objectives and management of risks.
- (xviii) Communicate responsibilities, codes of conduct and the importance of good governance arrangements to their staff and ensure that they understand the consequences of lack of control and inadequate governance arrangements.
- (xix) Review existing controls in the light of changes affecting the Council and to establish and implement new ones in line with guidance from the **Section 151 Officer**. Executive Directors should also be responsible, after consultation with the **Section 151 Officer**, for removing controls that are unnecessary.
- (xx) Undertake self-assessments of the status of the governance framework, including systems of internal control for each of their service areas, as directed by the **Section 151 Officer**.
- (xxi) Support internal audit in any review being undertaken within their area, and respond to issues raised within audit reports within the agreed timescale.

6.5. Preventing fraud and corruption

6.5.1. Anti-fraud and anti-corruption policy

The Council has an effective [anti-fraud and corruption policy](#) and maintains a culture that will not tolerate fraud or corruption. It is the responsibility of the **Section 151 Officer** to maintain the Council's anti-fraud and anti-corruption policy.

Executive Directors must ensure that this policy is adhered to and that all appropriate action is taken. This will include reporting all suspected irregularities to the **Head of Internal Audit** (see paragraph 6.6.2).

6.5.2. Declaration of Interests

To avoid giving rise to suspicion about the honesty and integrity of the Council or its employees, or giving the impression of corruption or improper behaviour, all interests of a personal and/or financial nature with external bodies or persons who have dealings with the Council, or any other interests which could conflict with an officer's duties, must be declared in accordance with the [Officer Declaration of Interests policy](#).

6.5.3. Gifts and hospitality

Officers must be cautious regarding offers of gifts and hospitality as acceptance can easily give the impression of improper behaviour or favour.

The Council's [Officer Gift and Hospitality Policy](#) explains how offers of gifts and hospitality are to be dealt with, including what can be accepted, what cannot be accepted and what must be declared. In accordance with the Gift and Hospitality Policy, Executive Directors must ensure that a Gifts and Hospitality register is established and maintained for the services for which they are responsible.

6.5.4. Whistle blowing

In accordance with the Council's [whistle blowing policy](#), all suspected irregularities must be reported to the **Head of Internal Audit** (see paragraph 6.6.2). The **Head of Internal Audit** will report significant matters to the Chief Executive, Cabinet and the Audit Committee.

In addition to the whistle blowing policy the Council's '[Speak up!](#)' Campaign provides further guidance on how employees can raise issues or concerns about inappropriate behaviour.

6.5.5. Standards of conduct

The full responsibilities with regard to standards of conduct for officers are set out in the [Officers' Code of Conduct](#) and the standards for members are set out in the [Members' Code of Conduct](#).

6.5.6. Money laundering

Money laundering is defined as:

- (i) Concealing, disguising, converting, transferring or removing criminal property from the Country.
- (ii) Being concerned in an arrangement which a person knows of, suspects or facilitates the acquisition, retention, use or control of criminal property.

In accordance with the Council's [Anti money laundering policy](#), all suspected attempts to use the Council to launder money must be reported to the **Head of Internal Audit** who is also the Council's Money Laundering Reporting Officer.

Executive Directors must ensure that their staff understand what money laundering is and of their obligations under the money laundering legislation, so that they can recognise situations that might lead to suspicions of money laundering arising.

When a person knows or suspects that money laundering activity is taking place (or has taken place), or becomes concerned that their involvement in a matter may amount to a prohibited act under the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2011, they must disclose this as soon as practicable or risk prosecution.

To mitigate the risks of the Council being used to launder money cash payments in excess of **£10,000** will not be accepted except with the prior approval of the Executive Director of Corporate Services.

6.5.7. Anti-Bribery Policy

In accordance with the Council's [Anti-bribery Policy](#), the detection, prevention and reporting of bribery and other forms of corruption are the responsibility of all those working for Essex County Council or under its control. Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. The Bribery Act has been enacted to enable robust action against such activity.

6.5.8. Promoting good governance

The Council's website on [How We Get Things Done](#) provides further information and guidance on the policies used in promoting good governance across the Council. Executive

Directors are responsible for ensuring that all members of staff in their services complete mandatory governance training provided via e-learning modules on the Council website. Executive Directors are also responsible for ensuring that new employees undertake the relevant modules of the e-learning training within six weeks of the commencement of their employment, and that all staff refresh their learning every 24 months.

6.6. Audit requirements

6.6.1. External audit

The basic duties of the external auditor are governed by Section 15 of the Local Government Finance Act 1982, as amended by Section 5 of the Audit Commission Act 1998 and include reviewing and reporting upon:

- (i) The financial aspects of the Council's corporate governance arrangements.
- (ii) The Council's financial statements; the external auditor must be satisfied that the Statement of Accounts give a 'true and fair view' of the financial position of the Council and its income and expenditure for the year in question and complies with the legal requirements.

The Council may, from time to time, also be subject to audit, inspection or investigation by external bodies such as HM Revenue and Customs and the Inland Revenue, who have statutory rights of access.

The External Auditors and other statutory inspectors must be given reasonable access to premises, personnel, documents and assets that it is considered necessary for the purposes of their work. Regard must be given to sensitivity of data though, and if there is any doubt about whether it is appropriate to provide such data to the external auditor or other statutory inspector, advice should be sought from the **Section 151 Officer**.

Services must respond to external audit and inspection reports in writing, within a timescale agreed by the appropriate Executive Directors and the External Auditor, detailing the action intended to address any recommendations.

6.6.2. Internal Audit

The requirement for an internal audit function for local authorities is implied by Section 151 of the Local Government Act 1972, which requires that authorities 'make arrangements for the proper administration of their financial affairs'.

The Accounts and Audit Regulations more specifically require authorities to maintain an adequate and effective system of internal audit of its accounting records and of its internal controls, and to conduct an annual review of the effectiveness of its systems of internal audit. The findings of these annual reviews are considered by the Audit Committee on behalf of the Council as part of the consideration of the system of internal control referred to in paragraph 6.4.

Internal audit is an independent and objective appraisal function, established by the Council for reviewing the systems of internal control and assists the Council's stakeholders on business objectives and related risks and, thereby, contributes strategically to the organisation.

The internal auditors adhere to proper practices in relation to internal control; specifically, the CIPFA Code of Practice on Internal Audit in local government in the United Kingdom, IIA (Institute of Internal Auditors) and the COSO (Committee of Sponsoring Organisations) risk framework. They examine, evaluate and report upon the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

The Internal Auditors have the authority to:

- (i) Access any Council premises, assets, records, documents and correspondence, and control systems.
- (ii) Receive any information and explanation related to any matter under consideration.
- (iii) Require any employee of the Council or school maintained by the Council to account for cash, stores or any other asset under his or her control.
- (iv) Access records belonging to third parties (e.g. Contractors) when required.
- (v) Directly access the Chief Executive, the Cabinet, the Audit Committee and Executive Scrutiny Committee.

The **Section 151 Officer** and the **Audit Committee** are required to approve an Annual Audit Plan, a draft of which will be submitted by the **Head of Internal Audit**. The Annual Audit Plan will take account of the characteristics and relative risks of the Council's activities. The **Section 151 Officer** and the **Audit Committee** will also ensure that effective procedures are in place to investigate promptly any suspected fraud or irregularity.

Services must respond to internal audit reports in writing, within a timescale agreed as part of the internal audit methodology detailing the action intended, responsible officer, timescale for implementation and whether the action will require additional resources, to address all agreed recommendations. The relevant Executive Directors must ensure that any agreed actions arising from audit recommendations are carried out in a timely and efficient fashion. This is validated by the quarterly follow-up process undertaken by internal audit.

The **Head of Internal Audit** will maintain a record of all reports and allegations of suspected fraud, corruption or other financial irregularity in respect of funds and assets that are the responsibility of the Council, and will ensure that appropriate action is taken to investigate these.

The **Head of Internal Audit** will be given the opportunity to evaluate the adequacy of new systems, or changes to existing systems, for maintaining financial records or records of assets, in a timely manner before live operation.

7. Control of resources

7.1. Assets

7.1.1. Security of assets

The Council holds assets in the form of property, land, vehicles, equipment, furniture and other items worth many millions of pounds. These assets must be safeguarded and used efficiently.

All staff have a responsibility for safeguarding the Council's assets and information, including safeguarding the security of the Council's computer systems and paper records, and for ensuring compliance with the Council's computer and Internet security policies.

The **Director** with responsibility for Property Management, on behalf of the Executive Director for Corporate and Customer Services, will undertake the role of 'corporate landlord' and will:

- (i) Ensure the proper security and maintenance of all premises occupied and/or owned by the Council.
- (ii) Hold the title deeds for all Council properties.

Executive Directors will:

- (i) Advise the **Director** with responsibility for Property Management in any case where security of Council premises is thought to be defective or where it is considered that special security arrangements may be needed.
- (ii) Ensure that no Council asset is subject to personal use by an employee without proper authority.
- (iii) Ensure the safe custody of vehicles, equipment, furniture, inventory, stores and other property belonging to the Council.
- (iv) Ensure cash holdings on premises are kept to a minimum.
- (v) Ensure that keys to safes and similar receptacles are carried on the person of those responsible at all times; loss of any such keys must be reported to the relevant Head of Service and the **Head of Internal Audit**.

7.1.2. Asset registers

The **Section 151 Officer** is responsible for the maintenance of a corporate register of the Council's non-current (i.e. fixed) assets. This register forms the basis of Balance Sheet reporting on all non-current assets held by the Council.

This 'Assets Register' is maintained, in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK and the underlying accounting standards, for all items capitalised in accordance the guidelines set out with paragraph **3.4.1** that are expected to be used and controlled by the Council during more than one financial year; items that the Council has acquired for a prolonged period under the terms of a lease or similar arrangement are also recorded. This means that the 'Assets Register' is maintained for:

- (i) All land held by the Council.
- (ii) Buildings held and being used by the Council for operational purposes, including those held under the terms of a finance lease, and those held for investment purposes, for disposal or deemed to be surplus to current requirements.
- (iii) All highways infrastructure (*e.g. roads, structures, traffic management systems etc.*) that, when acquired, was capitalised in accordance with the guidance set out within paragraph **3.4.1**.
- (iv) All vehicles, plant and equipment (*including IT hardware*) and intangible assets (*mainly IT software*) that, when acquired, were capitalised in accordance with the guidance set out within paragraph **3.4.1**.

Executive Directors will provide the **Section 151 Officer** with any information necessary to maintain the Assets Register. This will include confirmation, and the location, of moveable assets, which should be appropriately marked and insured.

Non-current assets that are required to be measured at 'fair value' will be re-valued in accordance with:

- (i) The requirements of the CIPFA Code of Practice on Local Authority Accounting in the UK; and
- (ii) Methodologies and bases for estimation set out in relevant professional standards (*including those of the Royal Institute of Chartered Surveyors (RICS)*).

7.1.3. Use of property other than for direct service delivery

The use of property other than for direct service delivery will be subject to prior agreement of, and in accordance with terms and conditions specified by, the **Director** with responsibility for Property Management.

Prospective occupiers of Council land and buildings are not permitted to take possession or enter the land and buildings until a lease or agreement, in a form approved by the **Director** with responsibility for Property Management, has been put in place.

7.1.4. Property Transactions

In the course of its day to day business, the Council enters into a variety of property agreements, including (but not limited to):

- (i) Freehold sales;
- (ii) Long leasehold disposals;
- (iii) Short leases as tenant and as landlord;
- (iv) Freehold acquisitions;
- (v) Long leasehold acquisitions;
- (vi) Section 106 agreements as landowner;
- (vii) Release of covenants;
- (viii) Compulsory acquisitions and land compensation claims;
- (ix) Taking and granting easements;
- (x) Option Agreements;
- (xi) Lease surrenders and exit agreements (including dilapidations).

Each of these transactions has a financial consequence for the Council. Approval is therefore required to authorise such property transactions for completion, and to declare properties surplus to requirements, as follows:

Amount	Minimum approval required
Up to £250,000	Head of Property Management.
In excess of £250,000, but less than £500,000	Director with responsibility for Property Management (<i>following consultation with the Head of Property Management.</i>).
In excess of £500,000, but less than £1m	Executive Director with responsibility for Property Management (following consultation with the above).
In excess of £1m but less than £5m	Cabinet Member with responsibility for Property Management (<i>following consultation with all of the above</i>).
£5m and above	Cabinet (<i>following consultation with all of the above</i>).

Note:

These financial thresholds apply to the open market value of the interest in the land or property reasonably foreseeable at the date of the approval, and not to the actual money involved.

Once land and buildings have been declared surplus to requirements, the **Director** with responsibility for Property Management will arrange for the disposal of these assets in accordance with the Council's property strategy and only then when it is in the best interests of the Council and when best value is obtained.

The approval of the **Cabinet Member for Finance** must be obtained (*after consulting the Cabinet Member with responsibility for Property*) if it is proposed to dispose of the freehold (or a leasehold interest with at least seven years unexpired) in the whole of the Council's interest in a property at a value which is below market value and/or the book value in the previous year's Balance Sheet. The approval of the Cabinet Member for Finance must also be obtained (*after consulting the Cabinet Member with responsibility for Property*) if the amount to be realised from the sale of part of an asset will reduce the book value of the remaining asset by more than is being realised.

The proceeds from the sale of all land and buildings (*subject to certain statutory limitations*) will not be earmarked for use by a specific service, but will be pooled and applied to finance future capital investment or for any other purpose permitted by Regulation.

The **Director** with responsibility for Property Management will advise on best practice for disposal of other assets that are deemed surplus to requirements, bearing in mind factors such as environmental issues, security and data protection.

The **Director for Information Services** (CIO) is responsible for ensuring that the standards, policies and guidelines of decommissioning of IT equipment are well defined and communicated to all staff within the Council. The Data Protection Act must be a key consideration in the decommissioning of IT equipment.

7.2. Consumable stocks and stores

Executive Directors will make adequate arrangements for the care and custody of consumable stocks and stores held by their services, and will maintain inventory records that document the purchase and usage of these items.

The stock of such items should be maintained at an appropriate level and be subject to a regular independent physical check. Discrepancies must be investigated and pursued to a satisfactory conclusion.

Where stocks and stores are not charged as an expense as purchased, but are held in a 'control account' until consumed, the Head of Service (or operational budget holder) must produce a stock certificate at each financial year end, confirming the number and value (*i.e. value represents the lower of cost and net realisable value*) of items held as at 31st March.

Stocks and stores must be removed from (ie. written off) the Council's financial records when obsolete (*i.e. when they cannot be sold or consumed*) or when no longer held (*i.e. due to theft or other loss*).

The minimum levels of approval required to write off stock balances per annum are as follows:

Amount	Minimum approval required
Up to £10,000	Head of Service / Operational Budget Holder.
In excess of £10,000, but less than £25,000	Director (<i>following consultation with the Head of Service / Operational Budget Holder</i>).
In excess of £25,000 but less than £50,000	Executive Director (<i>following consultation with all of the above</i>).
In excess of £50,000 but less than £100,000	Section 151 Officer (<i>following consultation with all of the above</i>).
In excess of £100,000 but less than £250,000	Service Cabinet Member (<i>following consultation with the Section 151 Officer</i>).
£250,000 and above	Cabinet Member for Finance (<i>following consultation with the Section 151 Officer and the Service Cabinet Member</i>).

7.3. Cash

7.3.1. Introduction

All money in the hands of the Council is controlled by the **Section 151 Officer**. The **Section 151 Officer** is thereby responsible for providing assurances that the Council's money is properly managed in a way that balances risk with return, with the overriding consideration being given to security.

In accordance with the Council's [Anti Money Laundering Policy](#), all suspected attempts to use the Council to launder money must be reported to the **Head of Internal Audit** who is the Council's Money Laundering Reporting Officer (see paragraph 6.5.6).

7.3.2. Treasury management

Treasury management is an important aspect of the overall financial management of the Council. Treasury management activities are those associated with the management of the Council's cash flows and its borrowing and investments. A fundamental aim is to effectively control the risks associated with these activities and to pursue best value, in so far as that is consistent with the effective management of risk.

The Council complies with the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-sectoral Guidance Notes, and has approved:

- A **Treasury Management Policy Statement**, which sets out the policies and objectives of its treasury management activities; and
- A series of **treasury management practices** (TMP's) which set out the manner in which the Council will seek to achieve its policies and objectives for treasury management.

The **Section 151 Officer** is responsible for maintaining the Treasury Management Policy Statement and TMP's, and for recommending any changes to Council for approval.

As noted in paragraph 3.7 (see page 19), the **Section 151 Officer** will propose an annual Treasury Management Strategy to the Council in advance of the start of the relevant financial year. This Strategy will comply with CIPFA's Code of Practice on Treasury Management, relevant Regulations and with the Council's own Treasury Management Policy Statement and TMP's; it will set the parameters within which investment and borrowing activity will be managed during the forthcoming financial year. The **Section 151 Officer** is responsible for ensuring that all borrowing and investment activity is undertaken in compliance with the approved Treasury Management Strategy.

The **Section 151 Officer** will report to the Cabinet at regular intervals in each financial year, on treasury management activities undertaken within delegated powers.

All investments of money, and borrowings undertaken, on behalf of the Council will be made in the name of the Council. The **Section 151 Officer** will maintain records of such transactions.

7.3.3. Loans to third parties

The following table sets out the circumstances in which loans may be provided to third parties, and the approval required to each type of loan:

Type of loan	Minimum approval required
Season ticket and similar loans made to employees	To be made in accordance with the Council's HR Guidance .
Monies invested with banks and other financial institutions.	To be undertaken in accordance with the Council's Annual Treasury Management Strategy (<i>see paragraph 7.3.2 above</i>).
Loans to third parties for the purpose of financing expenditure which, if incurred by the Council, would constitute capital expenditure.	Such a loan would constitute capital expenditure by the Council (<i>and the repayment would constitute a capital receipt</i>) and so would require Capital Programme approval (<i>see paragraphs 3.4.2 and 4.4</i>).

Type of loan	Minimum approval required
	The approval of the Section 151 Officer will be required to make any such loan at a discounted rate of interest.
Loans sought from the Council for other purposes (<i>e.g. where a service is being outsourced and the potential provider seeks an up-front payment to support cash flows</i>).	To only be undertaken with the prior approval of the Section 151 Officer . The Section 151 Officer ' approval will also be required to offer such a loan at a discounted rate of interest.

7.3.4. Bank accounts

The opening or closing of any Council bank account will require the prior approval of the **Section 151 Officer** and must be managed in accordance with directions issued by the **S151 Officer**.

7.3.5. Imprest accounts

Wherever possible, purchase cards will be used for low value transactions and where there are no mandated procurement contracts in place (*the use of purchase cards is covered further in section 8.2, which commences on page 54*). However, in the limited circumstances when purchase cards cannot be used, the **Section 151 Officer** may provide bank imprest (petty cash) accounts to meet minor expenditure on behalf of the Council.

The **Section 151 Officer** will:

- (i) Prescribe rules for operating these account;
- (ii) Determine the amount of each imprest account;
- (iii) Will maintain a record of all transactions and cash advances made; and
- (iv) Periodically review the arrangements for the safe custody and control of these advances.

Employees operating an imprest account will:

- (i) Obtain and retain vouchers to support each payment from the imprest account. Where appropriate, an official receipted VAT invoice must be obtained.
- (ii) Make adequate arrangements for the safe custody of the account.
- (iii) Produce cash and all vouchers to the total value of the imprest amount.
- (iv) Record transactions promptly.

- (v) Reconcile and balance the account at least monthly; reconciliation sheets to be signed and retained by the imprest holder.
- (vi) Ensure that the float is never used to cash personal cheques or to make personal loans and that the only payments into the account are the reimbursement of the float and change relating to purchases where an advance has been made.
- (vii) Provide the **Section 151 Officer** with a certificate of the value of the account held at 31 March each year.

7.3.6. Trust funds and funds held for third parties

All trust funds will, wherever possible, be held in the name of the Council. All officers acting as trustees by virtue of their official position shall deposit securities relating to the trust with the **Section 151 Officer**, unless the deed provides otherwise.

Trust funds will be operated within any relevant legislation and the specific requirements for each trust.

Where funds are held on behalf of third parties, for their secure administration, written records will be maintained of all transactions.

7.4. Staffing

The **Head of Paid Service** is responsible for providing overall management to staff and is also responsible for ensuring that there is proper use of evaluation or other agreed systems for determining the remuneration of a job.

Executive Directors have primary responsibility for their establishment and are accountable for compliance with establishment and financial controls. Executive Directors are responsible for ensuring that positions are only created as new requirements and associated funding emerge, and are deleted or modified as needs and funding change. They will ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.

The **Section 151 Officer** will advise Executive Directors on areas such as National Insurance and pension contributions, as appropriate.

7.5. Intellectual property

Intellectual property is a generic term that includes inventions and writing. If an employee creates these during the course of employment then, as a general rule, they belong to the Council, not to the employee.

Executive Directors will ensure that their staff are not carrying out private work in Council time and that their staff are aware of the Council's rights with regard to intellectual property.

Instances where intellectual property has been (or may be) created which has, or may have, commercial value to the Council should be referred to the relevant Executive Director(s).

8. Income and Expenditure

8.1. Income

8.1.1. Introduction

Effective income collection systems are necessary to ensure that all income due to the Council is identified, collected, receipted and banked properly.

Wherever possible, income should be collected in advance of supplying goods or services. Such an approach will avoid the time and cost of administering debts, and negates the possibility of a bad debt.

It is the responsibility of Executive Directors to ensure that staff authorised to act on their behalf in respect of income collection are clearly identified.

Executive Directors will supply the **Section 151 Officer** with details relating to work done, goods supplied, services rendered or other amounts due, to enable invoices to be raised promptly for sums due to the Council, and to ensure that such amounts are properly recorded as due to the Council.

8.1.2. Income collection

The **Section 151 Officer** will agree the arrangements for the collection of all income due to the Council and approve the procedures, systems and documentation for its collection. In relation to the collection of income, the **Section 151 Officer** and Executive Directors will ensure that:

- (i) All money received by, or on behalf of, the Council is paid fully and promptly into the appropriate Council bank account in the form in which it is received.
- (ii) Income is not used to cash personal cheques or other payments.
- (iii) Appropriate details are recorded onto paying-in slips to provide an audit trail.
- (iv) A record is kept of money received directly by employees of the Council.
- (v) The receiving officer signs for the transfer of funds, and the transferor must retain a copy.
- (vi) Wherever possible, at least two employees are present when post is opened so that money received by post is properly identified and recorded; this requirement must be met where post regularly contains money.
- (vii) Money collected and deposited is reconciled to the appropriate bank account on a regular basis.

- (viii) The responsibility for cash collection is separated from that for identifying the amount due and that responsibility for reconciling the amount due is separated from handling of the amount received.
- (ix) Income is only held on premises up to levels approved by the **Section 151 Officer**. All such income will be locked away to safeguard against loss or theft, and to ensure the security of cash handling.
- (x) All appropriate income documents are retained and stored for the defined period in accordance with the Council's [document retention policy and schedule](#).
- (xi) The **Section 151 Officer** is advised of outstanding income relating to the previous financial year as soon as possible after 31 March, and in line with the timetable for closure of the accounts determined by the **Section 151 Officer**.

8.1.3. Debt recovery

Executive Directors will ensure that a clear framework is in place within their areas of responsibility which defines who is empowered to raise a debt on the Council's behalf.

Once debts are raised, Executive Directors have a responsibility to assist the **Section 151 Officer** in collecting the debts that they have originated by providing any further information requested by the debtor, and in pursuing the matter on the Council's behalf.

8.1.4. Writing off debts

Executive Directors will critically review outstanding debts on a regular basis, in conjunction with the **Section 151 Officer**, and take prompt action to write off debts no longer deemed to be recoverable.

No bona fide debt may be cancelled, other than by formal write off. The approval required to write off any debt is as follows:

Amount	Minimum approval required
Up to £10,000	Head of Service / Operational Budget Holder
In excess of £10,000, but less than £25,000	Director (<i>following consultation with the Head of Service / Operational Budget Holder</i>).
In excess of £25,000 but less than £50,000	Executive Director (<i>following consultation with all of the above</i>).
In excess of £50,000 but less than £100,000	Section 151 Officer (<i>following consultation with all of the above</i>).
In excess of £100,000 but less than £250,000	Service Cabinet Member (<i>following consultation with the Section 151 Officer</i>).

Amount	Minimum approval required
£250,000 and above	Cabinet Member for Finance <i>(following consultation with the Section 151 Officer and the Service Cabinet Member)</i> .

A record must be maintained for all debts written off. The appropriate accounting adjustments must be made following approval to write-off a debt.

Where debts have been referred to Essex Legal Services, the **Section 151 Officer** will have due regard to their advice when considering action relating to bad debts.

8.1.5. Credit notes

A credit note to replace a debt can only be issued to correct a factual inaccuracy or administrative error in the calculation and/or billing of the original debt, and once it is confirmed that the debt is not payable.

Credit notes will not be issued:

- (i) For irrecoverable debts, as the formal write off procedure should be followed.
- (ii) Where the debtor cannot afford to pay at that time. The debt should remain, and revised payment terms agreed, as appropriate.
- (iii) Where a debt is to be recovered through deductions from payments. In such instances, the deductions made should be offset against the debtor.

Credit notes will be subject to the approval of the Head of Service / operational budget holder.

8.2. Purchasing and procurement

8.2.1. Introduction

The Council applies a standardised approach to purchasing and procurement, according to the complexity and level of risk involved. Sourcing activity therefore depends on whether the work, goods or services are available via one of the Council's corporate mandated contracts and, if not, on:

- (i) What is being procured;
- (ii) The value of the procurement;
- (iii) The contract terms; and
- (iv) Whether there is likely to be a transfer of staff, safeguarding, clinical governance or information security requirements as a consequence of the procurement.

Compliance with the Council's procedures helps to ensure that value for money is obtained from its purchasing arrangements.

8.2.2. Purchasing via corporate contracts

The Council has a number of corporate mandated contracts in place through which standardised supplies and materials must be procured. Details of the corporate mandated contracts are available on the Intranet.

The Council's Purchase-to-Pay system must be used for ordering goods via a corporate mandated contract.

8.2.3. Procurement

Where there is no corporate mandated contract in place, it is necessary to follow the procurement approach laid out within the Council's [Procurement Rules](#).

There is no requirement for competition for very low risk procurements (i.e. those up to **£10,000** or such other limit set out in the Procurement Rules). Such procurements can be made using:

- (i) An ECC Purchase Card (*the use of which is set out in the Council's [Purchase Card Policy](#)*);
- (ii) The Council's Purchase to Pay system; or
- (iii) The Council's Electronic Payments Tool.

All other work, goods and services must be procured following a competitive process that reflects the relative risks of the procurement (i.e. as laid out within the Council's [Procurement Rules](#)).

Officers involved with engaging contractors, and/or with purchasing decisions, have a responsibility to declare:

- (i) Any links or personal interests that they may have with purchasers, suppliers and/or contractors; and
- (ii) Any gifts or hospitality offered by, or received from, purchasers, suppliers and/or contractors.

The necessity to make such declarations arises from the requirements outlined in paragraphs 6.5.2 and 6.5.3.

All new contracts must also be recorded and retained in the corporate contracts register in accordance with the [Procurement Rules](#).

Where a third party is procuring goods, work or services on behalf of the Council then the relevant officer(s) must ensure that the third party is aware of and complies with the Council's procurement procedures.

Managers responsible for letting contracts should regularly review contractors' performance and address errors, poor performance and/or mis-representation, and to invoke service credits where applicable.

8.3. Ordering and paying for work, goods and services

8.3.1. Orders for work, goods and services

Orders for work, goods and services must:

- (i) Be in a form approved by the **Section 151 Officer**.
- (ii) Be raised via one of the Council's Purchase-to-Pay systems and issued to the supplier prior to receipt of goods or services or commencement of works. The only exceptions are for periodic payments such as rent or rates and petty cash or purchase card purchases.
- (iii) Not be raised for any personal or private purchases.
- (iv) Be authorised in accordance with the Council's Constitution and by someone of at least the seniority set out below:
 - a. Where the order is issued to reflect a procurement decision taken by Members then the order may be authorised by the operational budget holder;
 - b. Where (a) does not apply, and the order will have effect for more than a year and have a value in excess of **£150,000**, then the order must be authorised by an Executive Director;
 - c. In other cases the order must be authorised in accordance with the table below:

Level	Financial limit	Minimum approval required	Allocated cost centres
L3	Up to £1m	Directors	<i>As defined by Executive Director</i>
L4	Up to £500,000	Heads of Service (<i>i.e. when designated as the operational budget holder</i>)	<i>As defined by Director</i>
L5	Up to £150,000	Officers authorised to act on behalf of the Operational Budget Holder	<i>As defined by the Head of Service</i>

Contracts with a value of under **£1m** may be signed by:

- (i) A person who is authorised to issue an order for that contract; or
- (ii) The **Monitoring Officer** or **Section 151 Officer** or the **Director for Essex Legal Services** (or a person authorised by any of them).

Contracts with a value of more than **£1m** must be in writing and must be signed in accordance with the Constitution (i.e. by an **Executive Director** or the **Chief Executive** or be affixed under the **common seal** of the Council).

Executive Directors must maintain a list of designated staff on the [Authorised Signatory Database](#) identifying in each case the limits of their authority. The Authorised Signatory Database underpins and supports the signatory process, as any officer seeking to commit expenditure will be verified against the database to ensure they have the delegated power to do so.

No one may authorise an order unless they are satisfied that:

- (i) The work, goods and services ordered are appropriate and needed;
- (ii) There is adequate budgetary provision;
- (iii) Where a suitable corporate mandated contract exists, this has been used;
- (iv) Where there is no corporate mandated contract, the Council's [Procurement Rules](#) have been adhered to.

8.3.2. Receipt of work, goods and services

Work, goods and services must be checked upon receipt to ensure they are in accordance with the order. Wherever possible, goods should not be received by the person who approved the order.

For work, goods or services obtained using a **Purchase Card** it is the cardholder's responsibility to ensure that this is done in compliance with the Council's [Purchase Card Policy](#).

For work, goods or services ordered via the Council's Purchase-to-Pay system, the receipt of work, goods and services must be recorded against the original purchase order prior to receipt of an invoice, in order to provide approval to pay the invoice.

8.3.3. Payment of suppliers

For items ordered via the Council's Purchase-to-Pay system, the **Section 151 Officer** will make payments from the Council's funds upon the receipt of proper original, certified copy or valid electronic VAT invoice provided that:

- (i) A valid **purchase order number** is quoted on the suppliers' invoice; and
- (ii) Confirmation of receipt of the work, goods or services has been provided and the invoice is consistent with the receipted amount.

Invoices received which do not quote an approved purchase order number are not valid and will be returned to the supplier unpaid.

The **Section 151 Officer** will also make payments from the Council's funds upon the receipt of proper original, certified copy or valid electronic VAT invoices that have been checked, coded and certified in accordance with the thresholds set out on page 56, confirming:

- (i) The receipt of goods or services to the correct price, quantity and quality standards;
- (ii) That the invoice has not previously been paid;
- (iii) That expenditure has been properly incurred and is within budget provision;
- (iv) That prices and arithmetic are correct and accord with quotations, tenders, contracts or catalogue prices;
- (v) That discounts have been taken where available; and
- (vi) The correct accounting treatment of tax.

Payments to creditors will be made as soon as possible within agreed payment terms, in order to avoid late payment charges under the **Late Payment of Commercial Debts (Interest) Act 1998**, as amended by the **Late Payment of Commercial Debts Regulations 2013**.

Any invoice in dispute with a supplier must be clearly identified and processed in accordance with guidance issued by the **Section 151 Officer**.

It is not permissible to make a payment in advance of the delivery of works, goods or services, or to vary the Council's standard settlement terms, other than with the prior approval of the **Section 151 Officer**.

Executive Directors will notify the **Section 151 Officer** immediately of any expenditure to be incurred as a result of statute/court order where there is no budgetary provision. In such cases, appropriate budget provision should be sought, either by way of a virement (see paragraph 4.3.3) or by way of a supplementary estimate (see paragraph 4.3.4).

The normal methods of payment by the Council shall be by:

- (i) BACS payments direct into suppliers' bank accounts;
- (ii) Purchase Card (*in accordance with the Council's [Purchase Card Policy](#)*).

In exceptional circumstances, where suppliers are unable to accept payment via BACS, cheques will be issued by the **Section 151 Officer**. The use of direct debits to make payments will require the prior agreement of the **Section 151 Officer**.

All appropriate evidence of the transaction and payment documents will be retained and stored in accordance with the Council's [document retention policy and schedule](#).

Executive Directors must advise the **Section 151 Officer**, at the end of each financial year, of outstanding expenditure relating to the financial year just ended, in line with the timetable for closure of the accounts determined by the **Section 151 Officer**.

8.3.4. Contracts for construction and alterations to buildings / civil engineering works

The systems and procedures for dealing with the financial aspects of contracts for construction and alterations to buildings and for civil engineering works must be agreed with the **Section 151 Officer**. This will include the systems and procedures for the certification of interim and final payments, checking, recording and authorising payments, for monitoring and controlling capital schemes and the procedures for validation of subcontractors' tax status.

8.4. Authority to make payments

For payments other than those arising from purchasing and procurement, transactions must be authorised in accordance with the table below:

Level	Financial limit	Minimum approval required	Allocated cost centres
L1	Over £2.5m	Chief Executive	All
L2	Over £2.5m	Section 151 Officer	All
L2	Up to £2.5m	Executive Directors	All related to areas of responsibility
L3	Up to £1m	Directors	As defined by Executive Director
L4	Up to £500,000	Heads of Service (<i>i.e. when designated as the operational budget holder</i>)	As defined by Director
L5	Up to £150,000	Officers with delegated authority to act on Operational Budget Holder's behalf	As defined by the Head of Service

8.5. Payments to Employees and Members

8.5.1. Salaries

Staff appointments will be made in accordance with the Council's [Recruitment Policy](#), establishments, grades and scales of pay.

The **Section 151 Officer** is responsible for all payments of salaries and overtime to staff (*with the exception of those schools that have the delegated power to procure their payroll function from elsewhere*). The **Section 151 Officer** will therefore:

- (i) Arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former employees, in accordance with prescribed procedures, on the due date.

- (ii) Record and make arrangements for the accurate and timely payment of tax, pensions and other deductions.

The **Section 151 Officer** is responsible for ensuring there are adequate arrangements for administering pension matters on a day-to-day basis.

Executive Directors must ensure that effective systems and procedures are operated, so that:

- (i) Payments are only made to bona fide employees.
- (ii) Payments are only made where there is a valid entitlement.
- (iii) Conditions and contracts of employment are correctly applied.
- (iv) Employees' names listed on the payroll are checked at regular intervals to verify accuracy and completeness.

The **Section 151 Officer** and **Executive Director** with responsibility for Human Resources will advise upon the employment status of individuals employed on a self-employed consultant or sub-contract basis.

8.5.2. Expenses and allowances

The **Section 151 Officer** is responsible for the payment of certified expense claims submitted by employees that are made in accordance with the Council's [travel and subsistence policy](#). Certification of travel and subsistence claims is taken to mean that journeys were authorised and expenses properly and necessarily incurred for business purposes, and that allowances are properly payable by the Council, ensuring that cost-effective use of travel arrangements is achieved. Further guidance is provided in the [Travel and Subsistence Policy](#).

The **Section 151 Officer** is also responsible for the payment of Members' travel or other allowances. Members expenses must be claimed in accordance with the provisions set out in the [Members Allowance Scheme](#).

The **Section 151 Officer** will ensure that taxable allowances and benefits are accounted for, recorded and returned, where appropriate, to HM Revenue and Customs. Details of any employee benefits in kind must be notified to the **Section 151 Officer** to enable full and complete reporting within the income tax self-assessment system.

Due consideration should be given to tax implications, ensuring that advice is sought and the **Section 151 Officer** is informed where appropriate.

8.5.3. Ex-gratia payments

Ex-gratia payments are one-off payments made to an employee or former employee as a gesture of goodwill, and not because there is a legal or contractual obligation to do so. They include compromise and other payments made for loss of office.

Ex-gratia payments can be made to employees or former employees subject to obtaining the following approval:

Amount	Minimum approval required
Up to £5,000	Head of Service / Operational Budget Holder.
In excess of £5,000, but less than £10,000	Director (<i>following consultation with the Head of Service / Operational Budget Holder</i>).
In excess of £10,000 but less than £50,000	Executive Director (<i>following consultation with all of the above</i>).
£50,000 and above	Section 151 Officer (<i>following consultation with all of the above</i>).

The circumstances of the proposed payment must not have the effect of circumventing other Council pay and allowance policies, tax rules or other legislation.

8.6. Taxation

The **Section 151 Officer** is responsible for ensuring compliance with all relevant taxation regulations and guidance that affect the Council either directly, as a consequence its own activities, or indirectly, as a consequence of service delivery through external partners.

To enable the **Section 151 Officer** to fulfil the requirements of this role, Executive Directors will:

- (i) Ensure that the **Section 151 Officer** is consulted on all proposals that may alter or affect the Council's tax liability, including proposals to implement alternative service delivery models (as outlined in section 9.1, which commences on page 63).
- (ii) Ensure that the [VAT guidance](#) issued by the **Section 151 Officer** is complied with (*i.e. to ensure that the correct liability is attached to all income due and that all amounts recoverable on purchases can be claimed*).
- (iii) Ensure that, where construction and maintenance works are undertaken, the sub-contractor fulfils the necessary **construction industry tax scheme** requirements (*as advised by the **Section 151 Officer***).
- (iv) Ensure that the Executive Director for Corporate Service's guidance [fee payments](#) to consultants, individuals or partners is complied with.

The **Section 151 Officer** will maintain the Council's tax records, make all tax payments, receive tax credits and submit tax returns by their due date, as appropriate.

8.7. Emergency Payments

Emergency payments are those arising from legal cases, civil emergencies or natural disasters such as flooding. They relate to unforeseen circumstances where budget provision has not been made and the payment cannot be covered within the relevant service's existing budget.

Emergency payments can only be made in extenuating circumstances with the following approval (as a minimum):

Amount	Approval required
Up to £250,000	Executive Director
In excess of £250,000, but less than £1m	Chief Executive <u>or</u> the Section 151 Officer;
£1m and above	Cabinet Member for Finance (<i>following consultation with all of the above</i>).

Details of emergency payments made within the financial year will be reported retrospectively to the Cabinet.

Executive Directors must notify the **Section 151 Officer** as soon as practicable of any emergency payment made without the **Section 151 Officer's** approval.

8.8. Transparency

To provide transparency in its stewardship of public funds the Council makes information available to the public in relation to its spending, regardless of value. Monthly payment transactions made via p-card, employee expenses and accounts payable are available to download via the Council's [ECC Spending Information](#) website.

9. External Arrangements

9.1. Alternative delivery models

9.1.1. Introduction

Services may be commissioned from retained services within the Council or via an alternative delivery models. There are various types of alternative delivery model, including:

- (i) **Local Authority Trading Company (LATC)** - separate legal entities established and owned by the Council that trade for profit with both public and private bodies.
- (ii) **Joint Ventures** - set up as separate corporate entities joining two or more parties for the purpose of executing a business undertaking. They are able to trade for profit if set up as separate corporate entity.
- (iii) **Charitable Company** - a corporate entity which is regulated by the Charities Commission; surpluses are reinvested into the company.
- (iv) **Co-operative** - trades for the mutual benefit of members and is owned and operated by its members.
- (v) **Outsourcing** - contractual arrangement between the Council and a private provider for the delivery of an agreed service, which involves the transfer of Council staff to the private provider. The outsourced provider can charge its customers and make a profit.
- (vi) **Licensing** - contractual arrangement between the Council and a private provider using the Council's intellectual property or infrastructure. For these arrangements the licensee is able to generate a profit, which can be paid to the Council
- (vii) **Social Enterprises** - businesses trading for social and environmental purposes.
- (viii) **Payment by results** – payments for the provision of services are dependent upon performance outcomes.
- (ix) **Pooling of budgets** – pooling of resources with other public sector bodies as a means of facilitating joint working in the provision of services.

This list is not intended to be exhaustive, but is provided to illustrate the range and diversity of alternative service delivery models. Any intention to commission services through such a model must only be pursued in compliance with the decision making process outlined in paragraph 9.1.2 below.

9.1.2. Business Cases for alternative delivery vehicles

Any proposal to commission services via an alternative delivery vehicle must be developed through the Council's business case governance framework and using the [business case template](#), to ensure that there is a robust planning and decision-making process in place.

In the event that it is proposed to establish a local authority owned company, the Council's [Company Compliance Protocol](#) must also be adhered to.

The Business Case must clearly articulate the options being considered and measure these against the desired outcomes. It should also set out whether there is a statutory basis for the provision of the service or activity under consideration.

Executive Directors are responsible for ensuring that the Council's governance framework is followed through all stages of the business case development and decision making process, and that specialist advice is sought and obtained from the following key stakeholders across the Council, at all each stage in the development of the business case:

(i) Executive Director for Strategy, Transformation and Commissioning

- Director for Transformation;
- Director for Commissioning Support;
- Director for Human Resources; and
- Commercial Director.

(ii) Executive Director for Corporate and Customer Services

- **Section 151 Officer** (*including financial and tax advice*);
- Director for Essex Pension Fund;
- **Monitoring Officer** (*including legal, internal audit and risk advice*);
- Director for Corporate Operations (*including payroll, payment, income collection and property / facilities management advice*); and
- Head of Business Support.

Executive Directors are also responsible for ensuring that Cabinet approval is obtained before any contract negotiations are entered into, and that all agreements and arrangements are properly documented.

The Cabinet is responsible for approving the Council's participation in all significant partnerships / joint working arrangements with other local public, private, voluntary and community sector organisations.

Executive Directors, following advice from the **Executive Director for Strategy, Transformation and Commissioning Support** and the **Executive Director for Corporate and Customer Services** (*including the Section 151 Officer and Monitoring Officer*), will advise the Cabinet on the key elements of arrangements for commissioning services via an alternative delivery model, including:

- (i)** The financial roles and responsibilities of the Council with respect to monitoring of the alternative delivery model provider.
- (ii)** Appraisal of financial and non-financial risks, together with mitigation plans. The reputational impact of failure to deliver services should be considered, with clear plans on how this would be addressed.

- (iii) A comprehensive list of all the financial commitments the Council will enter into as a result of adopting the alternative service delivery model.
- (iv) The governance arrangements for decision making, and how these will be carried out to ensure that the services provided remain aligned to those of the Council.
- (v) Performance measurement arrangements.
- (vi) Exit arrangements, and what would be done to ensure services continue to be delivered in the event of non-delivery by the service provider.
- (vii) The financial implication (including taxation issues) arising as a consequence of the proposed alternative delivery model.
- (viii) Transfer of Council assets to the proposed delivery vehicle, and arrangements for safeguarding their title and use.
- (ix) Whether equality, sustainability, recruitment and employment practices, data handling and protection, freedom of information principles, standards and behaviour and arrangements for engaging with citizens and service users are aligned to the Council's legal requirements and policies.
- (x) Audit requirements (both internal and external) and arrangements for the Council's auditors, where relevant, to have access to information.
- (xi) Arrangements for providing information required for the Council's Statement of Accounts to the **Section 151 Officer**.
- (xii) In the event that the proposal is for a local authority trading company, a dividend policy should be agreed that sets out the process by which decisions will be taken regarding the retention or distribution of profits.
- (xiii) Pensions advice.

Where it is proposed to establish a local authority trading company, the new company will use the Council's support service functions, and use the Council's property (and its facilities management services) for the delivery of services on behalf of the Council, unless and until otherwise agreed by the **Executive Director for Corporate and Customer Services** and the **Executive Director for Strategy, Transformation and Commissioning** (i.e. as applicable).

9.2. Partnerships

9.2.1. Context

Partnerships include any arrangements where the Council agrees to undertake, part fund or participate in a project with other bodies; either as a beneficiary of the project, or because the nature or status of the project gives the Council a right or obligation to support it, but it does not include situations where the Council is simply providing funding without assuming any obligation or risk relating to delivery of the project. It is important to understand and distinguish between a partnership in this context and a supplier who the Council may refer to as a 'partner' due to the status that the Council has contractually awarded to it. Irrespective of the title applied to it, this latter type of partnership is a supplier relationship, which will be entered into in accordance with, and governed by, the Council's Procurement Policy and Procedures (*see paragraph **Error! Reference source not found.**, which commences on page **Error! Bookmark not defined.***).

9.2.2. Forming of partnerships

The approval of both the **Section 151 Officer** and the **Monitoring Officer** must be obtained prior to the Council entering into any formal partnership agreement. The approval of the **Section 151 Officer** must also be obtained where it is proposed that the Council adopts the role of 'Accountable Body' for a partnership. This is to ensure that the:

- (i) Legal status and financial viability of the arrangement are clearly established and that they are acceptable.
- (ii) Council's financial commitment to the partnership is quantified and that this is can be accommodated within the existing budget provision.
- (iii) Financial and corporate governance arrangements in place for the partnership are robust, and acceptable from the Council's perspective.
- (iv) The Council is not exposed to undue financial, legal or reputation risk as a consequence of its involvement in the partnership.
- (v) Council's own financial accounting and reporting requirements can be satisfied.

A partnership agreement must be produced that documents each of these matters, and the arrangements for dispute resolution and for exiting the arrangement.

The Cabinet is responsible for approving delegations and frameworks for all partnerships.

Executive Directors will ensure that:

- (i) The approval of the **Section 151 Officer** and the **Monitoring Officer** is obtained prior to entering into a partnership agreement.

- (ii) An appraisal is undertaken which demonstrates that the risks associated with the arrangement are minimal, or that appropriate arrangements are in place to mitigate any such risks.
- (iii) The partnership agreement and arrangements will not impact adversely upon the services provided by the Council or upon its finances.
- (iv) The proposed financial contribution by the Council to the partnership can be met from existing budget provision.
- (v) Cabinet approval is secured for all delegations and frameworks for the proposed partnership.

9.2.3. Delegation of budget to a partnership

Approval is required to enter into any arrangement (whether or not the arrangement is binding on the parties) where money is normally spent in accordance with the wishes of a group of individuals or organisations, as follows:

Amount	Minimum approval required
Up to £100,000	Director
In excess of £100,000, but less than £250,000	Executive Director (<i>following consultation with all of the above</i>).
In excess of £250,000, but less than £500,000	Section 151 Officer (<i>following consultation with all of the above</i>).
In excess of £500,000, but less than £5m	Cabinet Member for Finance (<i>following consultation with the Section 151 Officer</i>).
£5m and above	Cabinet (<i>following consultation with the Section 151 Officer and the Cabinet Member for Finance</i>).

9.2.4. Financial administration

Where the Council is the 'accountable body', these Financial Regulations apply to decisions relating to the expenditure of that money. All expenditure must be authorised by an appropriate ECC officer, or by someone else who has a statutory power to authorise expenditure. Executive Directors are responsible for ensuring that the Council is promoting and applying the same high standards of financial administration to the partnership that apply throughout the Council.

Whenever any such arrangements are made there must be a written document which clearly establishes the responsibilities of the respective partners for managing the arrangement and the resources made available to the partnership. The document must also set out the arrangements in respect of unspent funding at each year end, unless this is to be returned to the Council as unspent money.

Executive Directors must provide information on the partnership arrangements to the **Section 151 Officer**, in order that the appropriate disclosures can be made within the Council's annual Statement of Accounts.

9.2.5. Documenting and recording of partnership agreements

Executive Directors must ensure that all partnership agreements and arrangements are properly documented, and that all money for which the Council is accountable is spent via a written contract with the recipient (even if the recipient is a party to the arrangements) and that a register of those contracts must be maintained in accordance with procedures specified by the **Section 151 Officer**.

9.2.6. Representing the Council

Executive Directors will ensure that the Council has full oversight of the operation of the arrangements. This will usually be by officer support and by representation on the 'partnership board' by Members of the Council.

Executive Directors will ensure that appropriate officer input is provided to support Members in this role, and that all decisions made by the Council are discharged as permitted within the Scheme of Delegation that forms part of the Council's Constitution.

9.3. External Funding

9.3.1. Funding conditions

External funding is an important source of income to the Council, but funding conditions need to be carefully considered prior to entering into agreements, to ensure that:

- (i) They are compatible with the aims and objectives of the Council;
- (ii) The necessary procedures are in place to meet funding conditions and reporting requirements; and
- (iii) Appropriate budget provision is available if 'match funding' is required.

All bids for external funding bids must go through the Head of Investments and Funding and in compliance with the Council's [bids process](#).

9.3.2. Accounting for external funding

The **Section 151 Officer**, in conjunction with Executive Directors must, as appropriate, ensure that all funding awarded or committed by external bodies is received and properly recorded in the Council's accounts. This will include ensuring that claims for funding are made by the due date, and in accordance with the funding conditions.

9.3.3. External funding claims

The **Section 151 Officer** and Executive Directors must, as appropriate, satisfy audit requirements in respect of external funding claims. This includes maintaining appropriate records that accord with the funding conditions, and making these available to the auditors as required.

9.3.4. Third party expenditure

Sometimes, grant funding awarded to the Council may be passed to an organisation falling outside of the direct responsibility of the Council. The Council will however remain accountable for the grant funding and, as such, will be responsible for ensuring that all of the terms of the grant are met.

The Executive Director in receipt of the grant must ensure that effective monitoring and reporting procedures are in place to provide assurances over the eligibility of expenditure incurred by the third party and the delivery of outcomes. Upon audit, if the eligibility of third party expenditure cannot be proven by the Council, the Council will itself usually be required to return the grant funding to the awarding body.

9.4. Work by the Council for Third Parties

9.4.1. Approval to contractual arrangements

Work can only be undertaken for third parties where the Council has the legal powers to undertake the work. Where such legal powers exist, Executive Directors are responsible for:

- (i) Approving the contractual arrangements for any work undertaken by their services for third parties or external bodies.
- (ii) Ensuring that the appropriate expertise exists to fulfil the contract.
- (iii) Ensuring that no contract adversely impacts upon the services provided by the Council.

9.4.2. Financial aspects of third party contracts

With regard to the financial aspects of third party contracts, Executive Directors will:

- (iv) comply with any guidance issued by the **Section 151 Officer** and will ensure that the appropriate insurance arrangements are made.
- (v) Ensure that all costs arising from the provision of services to a third party are recovered and hence that there is no subsidy included within the contract.
- (vi) Ensure that the Council is not exposed to the risk of bad debts.

9.4.3. Documenting and recording contracts

A written agreement must be put in place between the Council and the third party, which details the services to be provided, over what period and at what price; this will be signed by both parties to the agreement. Executive Directors will provide information on the contractual arrangements to the **Section 151 Officer** as requested, in order that the appropriate disclosures can be made within the Council's annual statement of accounts.

10. Financial Limits

10.1. General

Throughout these Regulations, there are various financial limits. These limits have been brought together in this section, for ease of reference. The following tables summarise the minimum level of approval required on each matter; in the event that an officer at the specified level is unable to take a decision for any reason then the decision may be taken at a higher level in the organisation. This section is intended to set limits out in one place but it applies subject to any limitations set out elsewhere in Financial Regulations

10.2. Revenue budget virements

Paragraph 4.3.3 set out the Scheme of Virement. This explains that virements that are being actioned to effect a change in policy or priorities (*either within the same portfolio or between portfolios*) will be subject to the following approval:

Amount	Minimum approval required
Up to £500,000	Executive Director following consultation with the Director and Head of Service / Operational Budget Holder.
In excess of £500,000, but less than £5m	Cabinet Member for Finance , following consultation with all of the above, plus the Section 151 Officer and Service Cabinet Member.
£5m and above	Cabinet , following consultation with all of the above.

10.3. Re-profiling of supplementary funding

As noted in paragraph 4.3.4, where supplementary funding is provided for a project that slips into the following financial year, or which progresses ahead of schedule, the supplementary funding can be re-profiled between financial years without the need for further approval up to a threshold of **£500,000**. The approval of Cabinet is required to re-profile supplementary funding in excess of **£500,000**.

10.4. Capital expenditure

As noted in paragraph 3.4.1, the Council applies various de-minimis limits below which items that meet the definition of capital expenditure will be charged to revenue on the grounds of materiality. The limits are as follows:

De-minimis limits	£
General limit (<i>to be applied where no specific limit is applicable</i>)	10,000

De-minimis limits	£
Specific limits	
▪ Schools' capital projects funded or supported by Formula Capital Grants	2,000
▪ Transport (Highways) infrastructure	Nil
▪ Land	Nil

10.5. Capital monitoring and control

Section 4.4 sets out the arrangements for making changes to the capital programme in-year, as follows.

10.5.1. Applying under spends to offset over spends

Where it is intended to redress an over spend against one scheme or 'block' approval by achieving savings against another project, the following consent is required to align the payment guidelines and scheme approvals for both projects:

Amount	Minimum approval required
Up to £500,000	Executive Director (following consultation with the Section 151 Officer , to ensure that there are no adverse implications upon capital financing resources, the Cabinet Member for Finance , relevant Director and Head of Service / Operational Budget Holder)
In excess of £500,000, but less than £5m	Cabinet Member for Finance (following consultation with all of the above, plus the Section 151 Officer and the Service Cabinet Member)
£5m and above	Cabinet (following consultation with all of the above)

10.5.2. Re-profiling of payment guidelines between years

For schemes with 'starts approval', the re-profiling of capital payment guidelines between financial years is subject to agreement as follows:

Amount	Minimum approval required
Up to £500,000	Executive Director (following consultation with the Section 151 Officer , to ensure that there are no adverse implications upon capital financing resources, the Cabinet Member for Finance , the relevant Director and Head of Service / Operational Budget Holder).

Amount	Minimum approval required
In excess of £500,000, but less than £5m	Cabinet Member for Finance (<i>following consultation with all of the above, plus the Section 151 Officer and the Service Cabinet Member</i>).
£5m and above	Cabinet (<i>following consultation with the Service Cabinet Member and the Section 151 Officer</i>).

10.5.3. Adding scheme and payment approvals to the Capital Programme

Any request to change the capital programme outside of the annual budget setting by adding or removing schemes, by allocating additional scheme and payment approvals to an approved scheme or by accelerating a scheme within the programme must be approved as follows:

Amount	Minimum approval required
Up to £5m	Cabinet Member for Finance (<i>following consultation with all of the above, plus the Section 151 Officer and the Service Cabinet Member</i>).
£5m and above	Cabinet (<i>following consultation with all of the above</i>).

10.6. Settling insurance claims

As set out in paragraph 6.3, the settling of insurance claims against the Council will be subject to approval as follows:

Amount	Minimum approval required
Up to £20,000	Senior Claims Handler
In excess of £20,000 and up to £150,000	Insurance Manager
In excess of £150,000 and up to £500,000	Head of Service with responsibility for insurance arrangements
In excess of £500,000 and up to £1m	Director with responsibility for insurance arrangements (in consultation with the above)
In excess of £1m	Section 151 Officer (in consultation with all of the above Director)

10.7. Property transactions

Paragraph 7.1.4 sets out the approval required for property transactions, as follows:

Amount	Minimum approval required
Up to £250,000	Head of Property Management.
In excess of £250,000, but less than £500,000	Director with responsibility for Property Management (<i>following consultation with the Head of Property Management.</i>).
In excess of £500,000, but less than £1m	Executive Director with responsibility for Property Management (following consultation with the above).
In excess of £1m but less than £5m	Cabinet Member with responsibility for Property Management (<i>following consultation with all of the above</i>).
£5m and above	Cabinet (<i>following consultation with all of the above</i>).

10.8. Write off of inventory

The approval required to write off inventory balances per annum is detailed in paragraph 7.2, as follows:

Amount	Minimum approval required
Up to £10,000	Head of Service / Operational Budget Holder.
In excess of £10,000, but less than £25,000	Director (<i>following consultation with the Head of Service / Operational Budget Holder</i>).
In excess of £25,000 but less than £50,000	Executive Director (<i>following consultation with all of the above</i>).
In excess of £50,000 but less than £100,000	Section 151 Officer (following consultation with all of the above).
In excess of £100,000 but less than £250,000	Service Cabinet Member (<i>following consultation with the Section 151 Officer</i>).
£250,000 and above	Cabinet Member for Finance (<i>following consultation with the Section 151 Officer and the Service Cabinet Member</i>).

10.9. Acceptance of cash payments

As noted in paragraph 6.5.6, the acceptance of cash payments of greater than **£10,000** is prohibited, other than with the prior approval of the **Section 151 Officer**.

10.10. Writing off debts

The approval required to write off debts is detailed in paragraph **8.1.4**, as follows:

Amount	Minimum approval required
Up to £10,000	Head of Service / Operational Budget Holder
In excess of £10,000, but less than £25,000	Director (<i>following consultation with the Head of Service / Operational Budget Holder</i>).
In excess of £25,000 but less than £50,000	Executive Director (<i>following consultation with all of the above</i>).
In excess of £50,000 but less than £100,000	Section 151 Officer (<i>following consultation with all of the above</i>).
In excess of £100,000 but less than £250,000	Service Cabinet Member (<i>following consultation with the Section 151 Officer</i>).
£250,000 and above	Cabinet Member for Finance (<i>following consultation with the Section 151 Officer and the Service Cabinet Member</i>).

All debt write-offs of up to the threshold must be reported to the Service Cabinet Member.

10.11. Purchasing

As set out in paragraph 8.3.1, orders for work, goods and services must be authorised by someone of at least the seniority set out below:

- Where the order is issued to reflect a procurement decision taken by Members then the order may be authorised by the operational budget holder;
- Where (a) does not apply, and the order will have effect for more than a year and have a value in excess of **£150,000**, then the order must be authorised by an Executive Director;
- In other cases the order must be authorised in accordance with the table below:

Level	Financial limit	Minimum approval required	Allocated cost centres
L3	Up to £1m	Directors	As defined by Executive Director
L4	Up to £500,000	Heads of Service (<i>i.e. when designated as the operational budget holder</i>)	As defined by Director

Level	Financial limit	Minimum approval required	Allocated cost centres
L5	Up to £150,000	Officers authorised to act on behalf of the Operational Budget Holder	<i>As defined by the Head of Service</i>

Contracts with a value of under **£1m** may be signed by:

- a) A person who is authorised to issue an order for that contract; or
- b) The **Monitoring Officer** or **Section 151 Officer** or the **Director for Essex Legal Services** (or a person authorised by any of them).

Contracts with a value of more than **£1m** must be in writing and must be signed in accordance with the Constitution (i.e. by an **Executive Director** or the **Chief Executive** or be affixed under the **common seal** of the Council).

10.12. Other payments

Payments other than those arising from purchasing and procurement must be authorised in accordance with the limits set out in paragraph 8.4, which are listed below:

Level	Financial limit	Minimum approval required	Allocated cost centres
L1	Over £2.5m	Chief Executive	<i>All</i>
L2	Over £2.5m	Section 151 Officer	<i>All</i>
L2	Up to £2.5m	Executive Directors	<i>All related to areas of responsibility</i>
L3	Up to £1m	Directors	<i>As defined by Executive Director</i>
L4	Up to £500,000	Heads of Service (i.e. when designated as the operational budget holder)	<i>As defined by Director</i>
L5	Up to £150,000	Officers with delegated authority to act on Operational Budget Holder's behalf	<i>As defined by the Head of Service</i>

10.13. Ex-gratia payments

The approval required to make ex-gratia payments to staff is set out in paragraph **8.5.3**, as follows:

Amount	Minimum approval required
Up to £5,000	Head of Service / Operational Budget Holder.

Amount	Minimum approval required
In excess of £5,000, but less than £10,000	Director (<i>following consultation with the Head of Service / Operational Budget Holder</i>).
In excess of £10,000 but less than £50,000	Executive Director (<i>following consultation with all of the above</i>).
£50,000 and above	Section 151 Officer (<i>following consultation with all of the above</i>).

10.14. Emergency Payments

As set out in paragraph 8.7, the following approval is required to make emergency payments:

Amount	Minimum approval required
Up to £250,000	Executive Director
In excess of £250,000, but less than £1m	Chief Executive; or Section 151 Officer.
£1m and above	Cabinet Member for Finance (<i>following consultation with all of the above</i>).

10.15. Delegation of budget to a partnership

Paragraph 9.2.3 sets out what is meant by the term ‘partnership’, and sets out the approval required to delegate budgets to a partnership as follows:

Amount	Minimum approval required
Up to £100,000	Director
In excess of £100,000, but less than £250,000	Executive Director (<i>following consultation with all of the above</i>).
In excess of £250,000, but less than £500,000	Section 151 Officer (<i>following consultation with all of the above</i>).
In excess of £500,000, but less than £5m	Cabinet Member for Finance (<i>following consultation with the Section 151 Officer</i>).
£5m and above	Cabinet (<i>following consultation with the Section 151 Officer and the Cabinet Member for Finance</i>).

11. Other key policies and documents

11.1. Introduction

The Financial Regulations should be read and used in conjunction with the Council's other policy documents and guidance. For ease of reference, links to the key documents and guidance are listed below.

11.2. Human Resources

- [HR Guidance - Working Here](#)
- [Officers' Code of Conduct](#)
- [Travel and subsistence policy](#)
- [Recruitment Policy](#)

11.3. Information handling

- [Corporate retention policy and schedule](#)
- [Policy for information management and security](#)
- [Standards on Data Protection](#)
- [Standard for payment card security](#)

11.4. Procurement

- [Marketplace](#)
- [Procurement Policy and Procedures](#)
- [VAT Manual](#)

11.5. Project governance

- [Programme and Project Governance](#)
- [Business case template](#)

11.6. Regulatory framework

- [Anti-bribery Policy](#)
- [Anti fraud and corruption policy](#)
- [Anti money laundering policy](#)
- [Business continuity](#)
- [Company Compliance Protocol](#)
- [Constitution](#)
- [Declaration of Interests Policy](#)
- [Fees and Charges Policy](#)
- [Fraud response plan for managers](#)
- [Gifts and hospitality](#)
- [Risk Management Policy and Strategy](#)
- [Whistle blowing policy](#)
- [Property Rules of Engagement](#)

AGENDA ITEM 8

Report to Accountability Board -	Forward Plan reference number: FP/AB/028
Date of Accountability Board Meeting: 8th April 2016	
Title of report: Award of South East LEP ITE Contract	
Report by Adam Bryan, Interim Director, South East LEP	
Enquiries to adam.bryan@essex.gov.uk , 07884 475191	
NOT FOR PUBLICATION This report contains a confidential appendix which is exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.	

1. Purpose of report

- 1.1 The purpose of this paper is to seek a decision from the Accountability Board to award the contract for the provision of Independent Technical Evaluation services to South East LEP from 2016/17 onwards; an integral element of the Assurance Framework agreed with Government.

2. Recommendations

- 2.1 **TO AGREE** the recommendation of the evaluation process and award the contract for Independent Technical Evaluation Services to the winning bidder for a period of 3 years, plus an optional extension of two further years, at a maximum total value of £450,000.

3 Background

- 3.1 On 4th March 2016 Essex County Council (ECC) acting as Accountable Body for the South East LEP issued a tender on the Official Journal of the European Union for the provision of Independent Technical Evaluation services to support the South East LEP's management of the Local Growth Fund capital programme; a requirement of the Assurance Framework agreed with Government.
- 3.2 The procurement process was conducted via a single stage Open procurement route, through ECC's eSourcing portal with bidders responding to the Invitation to Tender.
- 3.3 The ITT consisted of bidders having to submit a Technical and Commercial response as a result of the specification and documentation within the ITT.
- 3.4 ECC received 26 expressions of interest and, on closing, five bids were submitted from the following organisations
- Mouchel,

- Ove Arup,
- PWC,
- Regeneris and
- Steer Davies Gleave.

3.5 On 5th April 2016, a formal meeting comprising the SELEP Director, an Accountable Body representative, an officer representative from each upper tier authority and facilitation from the ECC commercial team convened to undertake the evaluation of tenders received.

3.6 The high level Evaluation Criteria were as follows:

3.6.1 Commercial response (Price) – 60% weighting

3.6.2 Technical response (Quality) – 40% weighting

3.7 For the Commercial response, Bidders were asked to complete a pricing matrix comprising of the following sections and their respective weightings, which were scored and adjusted to give a mark out of 60;

Price for business cases requiring an ITE assessment	Weighting
Low complexity / transport schemes under £8m in value	20
Medium - Higher complexity Schemes / non-transport under £8m in value	20
High value and complexity schemes over £8m in value	20
Price for business cases requiring an advisory assessment	
Review Low - Schemes requiring an advisory view for schemes under £8m	5
Review High - Schemes requiring an advisory view for schemes over £8m	5
Review BCD - Schemes requiring an advisory view on funding for business case development	5
Other Prices	
Cost to prepare reports for, and attendance at Accountability Board and Other meetings	5
Advice and Support	20

For the Technical response, bidders were asked to provide responses to the following questions which were weighted as shown; the scores were then adjusted to give a mark out of 40:

	Weighting
Demonstrate how you propose to undertake a robust business case assessment in the context of the current process (see ref. 4.3 of the Specification) and identifying areas where you can add value and create opportunities for increasing effectiveness whilst meeting the requirements of the Assurance Framework	40%

<p>and the Accountability Board.</p> <p>In particular, reference should be made to ensuring consistency of assessment of value for money, outcomes and benefits across all business cases to ensure that they are assessed and delivering on the same basis.</p> <p>A minimum score of 3 out of 5 (prior to weighting) must be achieved for this section</p>	
<p>Provide a work programme with timescales and critical path for meeting the requirements as set out in the specification, identifying any key risks and opportunities that may need to be considered.</p> <p>The response to this question should include a timetable for delivery</p>	20%
<p>Provide evidence of delivery of services to time and budget constraints. In particular evidence how the competing priorities of multiple partners have been effectively managed to ensure effective service delivery within agreed timescales.</p> <p>A minimum score of 3 out of 5 (prior to weighting) must be achieved for this section</p>	20%
<p>Demonstrate your approach to ensuring that the assessment process remains appropriate and up to date in light of Government policy changes or updates to assessment methodologies recommended by Government departments.</p>	5%
<p>Outline your proposed approach to meeting the additional advisory requirements of the service as outlined in section 4.2 of the specification.</p> <p>Your response should include examples of past experience of how such a service has been effectively provided including contact details of previous examples for reference checks, should they be needed.</p> <p>A minimum score of 3 out of 5 (prior to weighting) must be achieved for this section</p>	15%

The results of the evaluation are set out in Appendix A.

- 3.8 Upon the approval of the successful bidder, those unsuccessful will be given detailed constructive feedback

4 Financial Implications

- 4.1 While the costs of the ITE are entirely dependent upon the amount of business cases submitted for review in any given period, ITE services are provisioned in the central SELEP revenue budget and, for 2016/17, an upper limit of £100,000 has already been written into the budget; this is reflected in the Finance Update paper also presented at this Accountability Board meeting to finalise the budget for 2016/17. £100,000 is likely to be more than is required as the Local Growth Fund profile for 2016/17 anticipates significantly fewer project starts (and therefore the requirement for fewer business cases) than in 2015/16 where approximately £100,000 was also spent.
- 4.2 The maximum total contract value is £450,000 for 3 years, plus an optional for 2 further years.

5 Legal Implications

- 5.1 A full and compliant procurement process has been conducted using the open procurement process in line with the Public Contracts Regulations 2015 and evaluated in accordance with the published criteria.
- 5.2 Upon the award being made ECC will enter into a 10 day standstill period as required by the regulations.
- 5.3. On completion of the Alcatel period a final award letter will be sent, and contracts will be signed before commencement of the services.

6 Staffing and other resource implications

- 6.1 The staff engaged in delivering the current contract are employed by the incumbent external supplier which has been successful in winning the new contract and therefore there are no TUPE implications.

7 Equality and Diversity implications

- 7.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when making 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.
- 7.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

- 7.3 There is no absolute duty to achieve these outcomes. The decision maker must balance equalities with all other relevant factors.
- 7.4 An initial equality impact assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

8 List of Appendices

- 8.1 Appendix A – Confidential Appendix

9 List of Background Papers

- 9.1 SELEP ITE Tender Specification as issued

Role	Date
Accountable Body sign off	
Lorna Norris	7 th April 2016
On behalf of Margaret Lee	

