

Report title: LGF High Risk Projects Update Report	
Report to: Accountability Board	
Report author: Howard Davies, SELEP Capital Programme Officer	
Meeting date: 23 September 2022	For: Information
Enquiries to: howard.davies@southeastlep.com	
SELEP Partner Authority affected: Thurrock	

1. Purpose of report

- 1.1. The purpose of this report is for the Accountability Board (the Board) to receive an update on the delivery of the following Local Growth Fund (LGF) projects which are currently ranked as high risk: A13 Widening and Grays South.

2. Recommendations

- 2.1. The Board is asked to:

A13 Widening

- 2.1.1. **Note** the update on the project

- 2.1.2. **Note** that a further update will be brought to the November 2022 Board meeting which must provide confirmation of total spend to date and an updated forecast total project cost.

Grays South

- 2.1.3. **Note** the update on the project

- 2.1.4. **Note** that a further update will be brought to the November 2022 Board meeting

A13 Widening

3. Summary Position

- 3.1. The project involves widening the A13 Stanford le Hope Bypass from 2 to 3 lanes in both directions, from the junction with the A128 (Orsett Cock roundabout) in the west to the A1014 (the Manorway) in the east. The project has provided a continuous three-lane carriageway from the M25 to Stanford le Hope, which will reduce congestion, improve journey times and support further economic growth.

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- 3.2. The project is a Department for Transport (DfT) retained scheme, which means the original Business Case for the project was reviewed by the DfT and the funding decision was made by the Secretary of State in April 2017.
- 3.3. At the time of the original funding decision, the estimated project cost totalled £78.866m, with £66.058m LGF being secured from the DfT and approved by the Board in March 2017, a further £5m LGF having been awarded by SELEP and approved by the Board in April 2016, towards the early development stage of the project.
- 3.4. The Board has received updates on issues and progress since November 2019. In July 2020, the total cost of the project was reported to have increased to £114.7m. In light of project cost increases, the Board agreed to award a further £8.942m LGF towards the project, increasing the overall LGF contribution to the project to £80m.
- 3.5. At the point of this additional funding award to the project, Thurrock Council provided assurances that the project would still progress through to completion and that the Council would underwrite any further funding shortfalls that might arise. This would include seeking additional funding through any external sources available to Thurrock Council, as well as the use of its own capital resources such as capital receipts and Prudential Borrowing.
- 3.6. The project received an additional £1.5m LGF at the March 2021 Board meeting, as the project had seen costs rise mainly due to the impact of the COVID-19 pandemic.
- 3.7. The project is also requesting an additional £1m of LGF through the project pipeline if further LGF becomes available. Further information is currently being requested from scheme promoters regarding projects on the pipeline, to ensure additionality of any additional LGF allocated to the projects.
- 3.8. Project costs have risen since Business Case submission, and these costs continue to be met by Thurrock Council, as per the terms of Service Level Agreement between SELEP Ltd., Essex County Council (as Accountable Body for SELEP) and Thurrock Council.
- 3.9. Further information on the project is provided in Appendix A.

4. Project Update

- 4.1. Works are continuing to progress as outlined below. However, the project continues to be reported as high risk due to the overrun of the project timeline, increase in total project costs and the high profile of the project in the Thurrock area. Thurrock Council continue to receive a high number of enquiries regarding the project and its completion date.
- 4.2. The Board were given an overview of the contractual arrangements with the main works contractor in July 2021. This overview set out that the type of contract entered into, a New Engineering Contract (NEC) 3 Option C, meant that any works not within the scope of the contract were subject to a compensation event. This type of contract provides very little cost certainty and under the terms of the contract there are limited grounds to refuse the contractor's programme. An agreement was reached with Kier (the main contractor) on costs to the end of 2020/21. An update on this position was requested from Thurrock Council, but a response was not received for inclusion in this report.

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- 4.3. There are a number of relatively minor Compensation Events outstanding which continue to be worked through. The number of Compensation Events is continuing to fall, and they are being dealt with as they arise.
- 4.4. At the May 2022 meeting, the Board were advised that the A13 opened to traffic on 2 May 2022 with speed limits in place of 50mph on the main carriageway and 30mph at Orsett Cock roundabout. These speed limits were required due to the traffic signals and street lighting not being fully operational and to give road users an opportunity to adjust to the new road layout.
- 4.5. At the July meeting the Board were advised that the traffic signals and street lighting around Orsett Cock roundabout were now operational, traffic management removed, and speed limits lifted to 50 mph. At the last Board meeting, it was indicated that connections for the street lighting at the eastern extent of the works required replacement and that the reduction in the speed limit to 50mph would remain in place on that stretch until the works were completed. It was expected that these works would be completed in September 2022, however, due to procurement timelines this date has moved to late October 2022. It continues to be the case that the scheme is operating well with the reduced speed limit creating no issues for traffic flows.
- 4.6. It was reported in February 2022 other 'non highway' works, which fall within the main construction contract, would be completed in Summer 2022. However, this has slipped into Autumn 2022, mainly due to balancing pond works and the outstanding street lighting works mentioned at 4.5.
- 4.7. The Board have previously been advised that other seasonal work, including planting were to be removed from the main construction contract, however it has been verbally advised that these works will remain within the main construction contract, with completion expected in late Autumn 2022.
- 4.8. At the July meeting the Board were advised that the Abstraction Licence (a licence that is required if you are seeking to remove water from a surface or groundwater source) had been issued at the end of June and work has progressed well on this element of the project, with the dry weather helping. Work will complete during September 2022.

5. Update on Project Costs

- 5.1. The revised expenditure profile remains subject to change as commercial discussions will continue through to the end of the contract, which had previously been reported as Summer 2022. However as set out at Section 4.7 of this report all works, including seasonal planting, are remaining within the main construction contract which will extend the contract to late Autumn 2022
- 5.2. An update on project costs have been provided, where possible, at previous Board meetings. At the last meeting, the Board were advised that project spend to the end of May 2022 were £133.94m. It had been expected that the Board would receive an update on project spend to the end of July 2022 at this meeting, however this information has not been received from Thurrock Council in time for inclusion in this report to the Board.
- 5.3. The project costs to the end of May 2022, provided to the Board in July 2022, now exceed the total forecast project costs supplied by Thurrock Council in September 2021. As such

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an update will be provided to the Board at the November 2022 meeting, setting out the latest budget position.

6. Next Steps

- 6.1. Ongoing works include completing street lighting feeder pillars and connections, balancing pond construction including the headwalls (concrete construction at inlet and outlet points), and landscape planting.
- 6.2. A further update on the project, which includes the latest position with regard to completion of the project, spend to date and total expected project costs will be presented to the Board in November 2022.

Grays South

7. Summary Position

- 7.1. The project forms part of the Grays South Regeneration Area (GSRA) scheme which consists of a number of interventions designed to support the economic and social vitality of Grays Town Centre. The LGF funding was specifically sought to support the creation of an underpass to replace the existing level crossing and for the creation of a public square at each end, designed to provide active urban spaces suited to a wide range of events, markets and similar activities.
- 7.2. It should be noted that a separate intervention within the GSRA scheme will bring forward new modern commercial/mixed use floorspace and residential units on land at either end of the new underpass. This work will not be funded through the LGF, but the benefits of the project will not be fully realised until these commercial and residential units have been constructed and are in use.
- 7.3. The project will improve public safety, create a fully compliant and unimpeded route across the railway line, improve connectivity between different modes of travel within Grays Town Centre and will deliver high quality public realm. Key benefits of the project include:
 - 7.3.1. enabling delivery of 84 homes and 1,279 sqm of retail floorspace by 2025;
 - 7.3.2. supporting commercial development in Grays by creating a more attractive town centre and higher quality commercial space.
- 7.4. Further information on the project can be found in Appendix B
- 7.5. The project has been awarded a total of £10.84m LGF to support delivery of the new underpass. This funding was awarded in two tranches, with the initial £3.7m awarded in February 2019 to enable further development of the project. The second tranche of £7.1m was awarded in November 2019 following submission of a Full Business Case.
- 7.6. Following a reported increase in project cost, concerns were raised regarding the ability of the project to continue to offer high value for money and an updated value for money assessment was requested. LGF spend on the project was placed on hold whilst the updated value for money assessment was prepared. At the May 2022 meeting the Board noted that the updated value for money assessment demonstrated that the project continues to offer High value for money with Medium certainty of achieving this. It was also

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agreed LGF spend on the project could recommence in accordance with the funding breakdown shown in Table 1 below.

- 7.7. The breakdown of funding shown at Table 1 has changed from that presented to the Board previously. It now shows LGF spend of £0.65m in 2021/22 whereas previously it had shown no LGF spend. This is due to some misreporting by Thurrock Council of their spend position with respect to categorisation of their applied Option 4 Capital Swaps. Board members will recall that an Option 4 Capital Swap refers to the transfer of grant funding into a local authority's own capital programme. The local authority is then required to finance the cost of the grant commitment to the project in future years.

Table 1: Grays South - Breakdown of funding sources (£m)

	2018/19 £(m)	2019/20 £(m)	2020/21 £(m)	2021/22 £(m)	2022/23 £(m)	2023/24 and beyond £(m)	Total
Network Rail	0.70	0.00	0.00	0.00	0.00	0.70	1.40
Local Growth Fund	0.00	3.66	0.83	0.65	1.02	4.68	10.84
Thurrock Council	0.00	0.00	0.00	0.00	3.45	22.20	25.65
Total	0.70	3.66	0.83	0.65	4.47	27.58	37.89

8. Project Update

- 8.1. Work is ongoing to secure the required planning consents and to acquire the land needed to deliver the project. Until these workstreams have been completed and delivery can commence, the project will continue to be ranked as High risk.
- 8.2. At the July 2022 meeting the Board were advised that due to a number of queries and holding objections received by the Local Planning Authority, the planning applications for the project could not be determined in July as originally expected. At that time, it was reported that the applications would be considered by Planning Committee in August 2022.
- 8.3. Thurrock Council have advised that it has taken longer than expected to address the queries and holding objections, previously reported to the Board. Although Thurrock Council officers believe the queries and objections have now been satisfactorily resolved. As a result of this delay, determination of the planning applications is now expected at the Planning Committee meeting on 22 September 2022.
- 8.4. A meeting was held with Local Authority planning officers during week commencing 5 September 2022 to review the status of the planning applications and to ensure that planning officers were satisfied that the applications could be considered at the September Planning Committee meeting. A verbal update on the status of the planning applications will be provided during the course of the Board meeting.
- 8.5. The Board were also advised that a number of existing buildings needed to be acquired to create the space for the planned underpass, public realm improvements and planned development. As reported to the Board in July 2022, this work is continuing and it is expected that the Compulsory Purchase Order (CPO) will be made in September 2022.
- 8.6. As the project enhances the rail network through the removal of the existing level crossing, it is subject to the Governance for Railway Investment Projects (GRIP) process. The GRIP

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process consists of 8 stages and covers the entire life of a railway project from initial inception right through to project completion and close. It was reported at the last meeting that GRIP Stage 3 (Option Selection) had been completed and that contracts were being drafted with Network Rail for progression through Stages 4 and 5 (Single Option Development and Detailed Design). It was reported that these contracts would be complete in late July 2022. It has now been confirmed that the required documentation has been agreed by Network Rail and that it was returned to Thurrock Council on 16 August 2022. A verbal update on the status of the contract will be provided to the Board at the meeting

- 8.7. The delivery programme remains broadly as reported at the last meeting, with the underpass expected to complete by November 2024 (assuming that the CPO will not be needed). The only change to the programme is that the Single Option Development (GRIP Stage 4) work will now run from late August to November 2022, rather than July to September 2022 as previously reported, subject to the Thurrock Council sign off process, set out at 9.2. This has been adjusted to reflect the change in expected completion date of the Development Services Agreement as outlined above. If the CPO is required, the programme will be extended by 18 to 21 months.

9. Next Steps

- 9.1. Preparation for the issue of the CPO continues, however alongside this, Thurrock Council will continue to negotiate with landowners to secure property/land on a privately negotiated basis. In addition, it is anticipated that the planning applications will be determined in September 2022.
- 9.2. The GRIP Stage 4 (Single Option Development) Development Services Agreement (DSA) with Network Rail is currently moving through the Thurrock Council approval process. The Contract Waiver Approval Form (required to waive the Council's requirement in the Contract Procedure Rules to conduct a competitive procurement process for contracts in excess of £25,000) has been signed by Thurrock Council Legal and the Interim Assistant Director Regeneration & Place Delivery and is awaiting sign-off by the Assistant Director of Finance, Resource and Place (along with the ED2 form, which is required for competitive process of contracts in excess of £25,000) before being returned to Thurrock Council Legal. Thurrock Council Legal will then sign and seal the DSA before returning it to Network Rail for their signature. On receipt of the approved DSA, Network Rail can take steps to engage the resources required to progress GRIP stage 4.
- 9.3. A further update, which outlines the latest position with these activities, will be presented to the Board in November 2022.

10. Financial Implications (Accountable Body comments)

- 10.1. There continue to be a number of challenges to completion of the projects in this report, albeit that the majority of the LGF has been spent to date; this presents risks on assuring delivery of the expected outcomes, given the lack of certainty on the timelines for completion of the projects.
- 10.2. In addition to the specific challenges outlined in this report, the Board should be aware of wider risks in 2022/23 and beyond which may impact delivery of outcomes due to difficulties experienced by projects as a result of Brexit, COVID-19, economic uncertainty and inflation.

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- 10.3. To mitigate these risks, the Board is advised to keep under review the delivery progress of these projects and to take this into account with regard to any further funding decisions made.
- 10.4. Essex County Council, as the Accountable Body, is responsible for ensuring that the LGF funding is utilised in accordance with the conditions set out by Government for use of the Grant.
- 10.5. All LGF in respect of the two projects considered has been transferred to Thurrock Council, as the Project Lead Authorities, under the terms of a Funding Agreement or SLA which makes clear that funding can only be used in line with the agreed terms.
- 10.6. The Agreements also set out the circumstances under which funding may have to be repaid should it not be utilised in line with the conditions of the grant or in accordance with the Decisions of the Board.

11. Legal Implications (Accountable Body comments)

- 11.1. The grant funding will be administered in accordance with the terms of the Grant Determination Letter between the Accountable Body and Central Government and required to be used in accordance with the terms of the Service Level Agreements between the Accountable Body and Partner Authorities. If a project fails to proceed in line with the conditions of the SLA or grant conditions from Central Government, the Accountable Body may clawback funding for reallocation by SELEP Ltd. This report asks the Board to note the current position, so there are no significant legal implications arising from the proposals set out in this report.

12. Equality and Diversity Implications

- 12.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
- 12.2. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- 12.3. Advance equality of opportunity between people who share a protected characteristic and those who do not.
- 12.4. Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 12.5. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 12.6. In the course of the development of the project Business Case, the delivery of the Project and the ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

13. List of Appendices

- 13.1. Appendix A – A13 Widening - Project Background Information

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13.2. Appendix B – Grays South - Project Background Information

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

Role	Date
Accountable Body sign off Stephanie Mitchener (on behalf of Nicole Wood, S151 Officer, Essex County Council)	21/09/2022

Appendix A – LGF Project Background Information

Name of Project	A13 Widening Thurrock Council													
Local Growth Fund (LGF) allocation	<table border="1" data-bbox="451 479 1334 712"> <thead> <tr> <th data-bbox="451 479 1066 517">Date of award</th> <th data-bbox="1066 479 1334 517">Amount (£m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="451 517 1066 555">April 2016 (LGF Development Funding)</td> <td data-bbox="1066 517 1334 555">5.000</td> </tr> <tr> <td data-bbox="451 555 1066 593">March 2017 Accountability Board (DfT)</td> <td data-bbox="1066 555 1334 593">66.058</td> </tr> <tr> <td data-bbox="451 593 1066 631">July 2020 Accountability Board (DfT)</td> <td data-bbox="1066 593 1334 631">8.942</td> </tr> <tr> <td data-bbox="451 631 1066 669">March 2021 (Additional LGF)</td> <td data-bbox="1066 631 1334 669">1.500</td> </tr> <tr> <td data-bbox="451 669 1066 707" style="text-align: right;">Total</td> <td data-bbox="1066 669 1334 707">81.500</td> </tr> </tbody> </table>		Date of award	Amount (£m)	April 2016 (LGF Development Funding)	5.000	March 2017 Accountability Board (DfT)	66.058	July 2020 Accountability Board (DfT)	8.942	March 2021 (Additional LGF)	1.500	Total	81.500
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April 2016 (LGF Development Funding)	5.000													
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July 2020 Accountability Board (DfT)	8.942													
March 2021 (Additional LGF)	1.500													
Total	81.500													
Description of what Project delivers	<p>The Project involves widening the A13 Stanford le Hope Bypass in both directions, from the junction with the A128 in the west to the A1014 in the east. Once the Project is completed, there will be a continuous three-lane carriageway from the M25 to Stanford le Hope.</p>													
Project benefits	<p>When complete in Autumn 2022, the Project will help address existing traffic congestion and improve journey times. It will also provide a significant contribution in supporting much needed economic growth not only on a regional and national platform but given the proximity to significant ports, logistics and industry, also on an international basis too which is why the delivery of the scheme is of critical importance.</p>													
Project constraints	<ul style="list-style-type: none"> • Increased Project costs have been a major cause for concern. • Contract issues around Compensation Events have added to the rising costs. • Covid-19 increased delays and added pressure to costs. <p>Current key risks are:</p> <ul style="list-style-type: none"> • Electrical connections to street lighting at the eastern end of the scheme not completed until October 2022, due to longer than expected procurement timeline. <p>The Project is nearing completion, with the main highway works completing in May 2022. It is likely that non highway works will continue in Autumn 2022.</p>													
Link to Project page on the website with full Business Case	<p>https://www.southeastlep.com/project/a13-widening/</p>													

Appendix B – LGF Project Background Information

Name of Project	Grays South Thurrock Council									
Local Growth Fund (LGF) allocation	<table border="1" data-bbox="451 434 1390 577"> <thead> <tr> <th data-bbox="451 434 919 468">Date of Award</th> <th data-bbox="919 434 1390 468">Amount (£m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="451 468 919 501">February 2019</td> <td data-bbox="919 468 1390 501">3.7</td> </tr> <tr> <td data-bbox="451 501 919 535">November 2019</td> <td data-bbox="919 501 1390 535">7.1</td> </tr> <tr> <td data-bbox="451 535 919 577">Total</td> <td data-bbox="919 535 1390 577">10.84</td> </tr> </tbody> </table>		Date of Award	Amount (£m)	February 2019	3.7	November 2019	7.1	Total	10.84
Date of Award	Amount (£m)									
February 2019	3.7									
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Total	10.84									
Description of what Project delivers	<p>The Project forms part of the Grays South Regeneration Area (GSRA) scheme which consists of a number of interventions designed to support the economic and social vitality of Grays Town Centre. The LGF funding was specifically sought to support the creation of an underpass to replace the existing level crossing and for the creation of a public square at each end, designed to provide active urban spaces suited to a wide range of events, markets and similar activities.</p> <p>It should be noted that a separate intervention within the GSRA scheme will bring forward new modern commercial/mixed use floorspace and residential units on land at either end of the new underpass. This work will not be funded through the LGF, but the benefits of the Project will not be fully realised until these commercial and residential units have been constructed and are in use.</p>									
Current Planning Applications	<p>Two applications expected to be considered by Thurrock Council Planning Committee in September 2022:</p> <p>Planning Application 1 - Full planning application for demolition of existing buildings and structures, proposed installation of pedestrian underpass underneath the existing railway, provision of associated infrastructure and accommodation works, including installation of ramps and steps and lifts and works to realign Crown Road and relocate Station Approach further to the south from its existing road alignment, provision of public realm and landscaping, groundworks and temporary works.</p> <p>Planning Application 2 - Outline planning application for the demolition of existing buildings and structures and the development of new buildings to the north and south of the existing railway, comprising up to 1,489 sqm (GIA) of commercial floorspace (Class E), up to 40 residential dwellings (Class C3), public realm and landscaping.</p>									

Delivery Milestones	Milestone	Expected dates						
	Procurement and contracts for next stages	June 2021 to August 2022						
	Single Option Development (GRIP Stage 4)	Late August to November 2022						
	Land assembly	Autumn 2021 to November 2022						
	Detailed Design (GRIP Stage 5)	November 2022 to Apr 2023						
	Implementation (GRIP Stage 6)	February 2023 to May 2024						
	Project Hand Back (GRIP Stage 7)	May to August 2024						
	Project Close Out (GRIP Stage 8)	August to November 2024						
It should be noted that this programme assumes that a CPO will not be required.								
Project Costs	<i>Breakdown of funding sources (£m)</i>							
		2018/19 £(m)	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	2023/24 and beyond (£m)	Total
	Network Rail	0.70	0.00	0.00	0.00	0.00	0.70	1.40
	Local Growth Fund	0.00	3.66	0.83	0.65	1.02	4.68	10.84
	Thurrock Council	0.00	0.00	0.00	0.00	3.45	22.20	25.65
	Total	0.70	3.66	0.83	0.65	4.47	27.58	37.89
Project benefits	The Project will improve public safety, create a fully compliant and unimpeded route across the railway line, improve connectivity between different modes of travel within Grays Town Centre and will deliver high quality public realm.							
	Key benefits of the Project include: <ul style="list-style-type: none"> enabling delivery of 84 homes and 1,279 sqm of retail floorspace by 2025; supporting commercial development in Grays by creating a more attractive town centre and higher quality commercial space. 							
Project constraints	<ul style="list-style-type: none"> Cost increases, although the costs provided include a 30% risk uplift The project involves the acquisition of property and land which could extend the project timeline The project is dependent on progression through the GRIP process with Network Rail 							
Link to Project page on the website with full Business Case	https://www.southeastlep.com/project/grays-south/							