

**Forward Plan reference number:** FP/AB/197

<b>Report title:</b> Thanet Parkway LGF funding decision	
<b>Report to Accountability Board on 12<sup>th</sup> April 2019</b>	
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<b>Date:</b> 26.03.2019	<b>For:</b> Decision
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<b>SELEP Partner Authority affected:</b> Kent	

## 1. Purpose of Report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of £14m Local Growth Fund (LGF) to the Thanet Parkway Project, as detailed in the Project Business Case.
- 1.2 The Business Case has been reviewed through the Independent Technical Evaluator (ITE) review process and has been assessed as presenting high value for money with medium certainty.
- 1.3 The cost estimate for the project has been based on the Governance for Rail Investment Projects (GRIP) Stage 3 option selection information. The outcome of the GRIP Stage 4 option development work is due to be completed in June 2019. As such, it is expected that a full Business Case will be considered at the Board meeting in September 2019/20 to reaffirm that sufficient funding is available to meet the total project cost.

## 2. Recommendations

### 2.1. The Board is asked to:

- 2.1.1. **Approve** the award of £14m LGF to support the delivery of the Project identified in the Business Case and which has been assessed as presenting high value for money with medium certainty of achieving this, subject to an updated (Full) Business Case being submitted in July 2019 and agreed by the Board in September 2019, following completion of GRIP Stage 4, to reaffirm:
  - 2.1.1.1. That the total cost estimate for the Project does not exceed those set out in section 8 below; and
  - 2.1.1.2. That all funding has been secured to enable the delivery of the Project.
- 2.1.2. **Note** that no LGF can be drawn down or spent on the Project until the Full Business Case has been agreed by the Board, meeting the requirements set out in 2.1.1 above.

### **3. Background**

- 3.1. The Project was provisionally allocated a total of £10m LGF through LGF Round 1. This funding was allocated as a contribution towards the cost of delivering a new train station in Thanet, with the aim of increasing the attractiveness of East Kent to employers, unlocking new economic development opportunities and improving accessibility and employment opportunities in the Thanet area.
- 3.2. In March 2019, the Investment Panel agreed the prioritisation of the Project for receipt of a further provisional allocation of £4m LGF funding, increasing the total provisional LGF allocation to £14m.
- 3.3. The Project has previously been unable to draw down on the LGF allocation to the Project due to a substantial funding gap. Work has been ongoing to bridge this funding gap and further local funding contributions have been secured to support the delivery of the Project, as detailed in section 8 below.

### **4. Context**

- 4.1. The East Kent area suffers from increased deprivation when compared with West Kent and South East England as a whole, with Thanet being ranked as the most deprived local authority in Kent.
- 4.2. Poor accessibility is one of the key factors that has discouraged major employers from locating in the area, which serves to undermine regeneration and has limited the employment catchment area for local residents.
- 4.3. The journey time from London makes Thanet unattractive for potential employers as the ability for business travellers to be able to get a train from close to their place of work to/from London is important in business location decisions. Thanet has historically performed poorly as it is 'at the end of the line' from London and requires a commute of over one hour to/from London.
- 4.4. In addition, the Thanet area has a lower representation of residents with higher skills levels, which has constrained economic growth. Both of these factors need to be addressed in order to boost economic growth in Thanet and the wider East Kent area.
- 4.5. The provision of the new Thanet Parkway station will reduce the journey time between central London and Thanet to around one hour. Thereby improving the attractiveness of the area to businesses and increasing the employment catchment area for Thanet residents. In addition, the new station will offer greater opportunity to access London via High Speed 1, and will therefore improve access to employment in Canterbury, Ashford and the rest of Kent.
- 4.6. As a result of the improved rail services to London, it is expected that the development of the Thanet Parkway station will stimulate the construction of

additional housing in the area. This housing is expected to attract higher skilled residents to the area, as a result of the improved journey times.

- 4.7. Alongside construction of the new station, steps will be taken to ensure the station is accessible to the majority of Thanet residents, and that all major employment and potential housing development sites in the area offer easy accessibility to the station encouraging development in the area.

## 5. Thanet Parkway (the Project)

- 5.1. The proposed new railway station will be located approximately 2 miles west of Ramsgate on the Ashford International to Ramsgate line, south of the Manston Airport site and just to the west of the village of Cliffsend, as shown in Figure 1. This location is considered to be the most suitable as it will improve rail access to both Thanet and the north of Dover district. In addition, a station in this location will be served by High Speed 1 and would offer a journey time to London of around one hour.

**Figure 1 – Thanet Parkway Station Location**



- 5.2. The proposed station will provide the following:
- 5.2.1. two platforms suitable for use by 12 carriage trains;

- 5.2.2. lighting columns on each platform that host CCTV cameras and public address speakers;
  - 5.2.3. two customer information displays and one passenger help point;
  - 5.2.4. passenger shelters to provide weather protection;
  - 5.2.5. lifts, stairs and a footbridge for movement between platforms;
  - 5.2.6. a forecourt with two ticket vending machines, a shelter and bus passenger information;
  - 5.2.7. a set down area for buses, taxis and passenger drop off; and
  - 5.2.8. parking for 311 cars (including 16 disabled bays and 8 spaces with electric vehicle charging points), motorcycles and 40 pedal cycle parking spaces.
- 5.3. In addition, a new direct access road will be provided to encourage use of the station. Pedestrian and cycle access will also be provided from Cliffsend village.
- 5.4. The station will provide improved accessibility to key employment sites, whilst also unlocking new economic development and residential opportunities in the Thanet area.
- 5.5. It is estimated that delivery of the Project will lead to the creation of an additional 400 to 800 jobs over a 30-year period from station opening, as well as development of 1,600 to 3,200 additional homes over the same period. These outcomes will be driven by improved accessibility both to existing key employment sites and to potential housing and commercial development sites, as well as more desirable commuting times to London.
- 5.6. The intended benefits of the project include:
  - 5.6.1. Accelerating the pace of housing delivery in Thanet;
  - 5.6.2. Positively contributing to economic growth by attracting higher skilled workers to the area;
  - 5.6.3. Stimulating the creation of additional jobs by encouraging business location and expansion decisions based on the existence of the new station and journey times to London of around 1 hour;
  - 5.6.4. Generating over 50,000 new rail journeys from first full operational year (2022) reducing reliance on less sustainable modes of travel;
  - 5.6.5. Provision of improved rail access from Thanet to London, offering a reduced travel time of approximately one hour; and
  - 5.6.6. Providing commuters with alternative access to the area of journeys that might otherwise be made on the local and strategic highway network, thereby contributing to a reduction in congestion.

## **6. Options Considered**

- 6.1. Through the development of the Project, consideration has been given to the different options available. These options are considered within the Business Case.

## Thanet Parkway LGF funding decision

6.2. Six options were initially identified in order to provide better connectivity between the sites planned for development in East Kent and London and the wider Kent area. An iterative process was used to arrive at a preferred option which achieves value for money and delivers the identified objectives.

6.3. The six options identified were:

6.3.1. Deliver a new 'Thanet Parkway' railway station (preferred option) – this option represents the Project detailed in this report;

6.3.2. Increase car parking provision at Ramsgate Station – Ramsgate Station only has a small car park with 44 spaces and as a result commuters park in surrounding residential streets, which causes a nuisance to local residents and limits the accessibility of rail commuting for additional commuters who cannot park there. In addition, due to the limited availability of parking at the station the amount of time needed to drive to the station is unpredictable and creates poor journey time reliability. Provision of additional parking would help to address these issues.

This option was ruled out due to the lack of available land in the residential area around the station.

6.3.3. Increase parking provision at Minster Station – parking provision at Minster Station is currently limited to 20 spaces, with any additional cars being parked in nearby residential streets. Provision of an increased number of parking spaces would make the station accessible to a greater number of potential commuters.

This option was ruled out due to the local highway network being unsuitable for increased levels of traffic, alongside concerns regarding the impact on Minster village. Furthermore, there is a limited train service at Minster Station which would limit the benefits realised by the improvements.

6.3.4. Shuttle bus from Birchington-On-Sea Station – the shuttle bus would be used to serve the Manston Airport site and other commercial development sites, such as Discovery Park and Manston Business Park. Birchington-On-Sea Station would be marketed as the railway station to serve these destinations. Whilst this option would have offered improved accessibility to key employment sites, it was ruled out due to unattractive shuttle bus journey times and a lack of rail connectivity to Ashford, Canterbury and Maidstone, coupled with a long journey time to London.

6.3.5. Direct coach service from London – the provision of a direct coach service between London and the Manston Airport/Discovery Park sites was considered. Whilst this option would have provided a direct link between London and key employment sites in Thanet, it would have resulted in long, often unpredictable, journey times. In addition, this

option would only provide a direct link between London and Thanet and would therefore not have served the population in the wider Kent area. It was considered that this option would have a low impact on economic growth in the area and it was therefore ruled out.

- 6.3.6. Shuttle bus from Ramsgate Station – the shuttle bus would be used to serve the Manston Airport site and commercial development sites, including Discovery Park. Ramsgate Station would be marketed as the railway station to serve these destinations. Whilst this option would have offered improved accessibility to key employment sites, it was ruled out due to the lack of a suitable terminus at Ramsgate station, which could not be rectified without substantial refurbishment work. It was also considered that this option did not have the potential to have a significant impact on economic growth in the area.
- 6.4. After analysis of each of the options, options 1 and 2 were shortlisted for further investigation. While the other options would be less expensive, and potentially quicker to deliver, they were not expected to deliver the overall objectives of supporting the growth of the East Kent economy and increasing employment opportunities.
- 6.5. Following further investigation, the decision was taken to discount option 2 due to the unavailability of land to provide additional car parking facilities at Ramsgate Station.
- 6.6. This resulted in option 1 being identified as the preferred option. It is considered that the delivery of Thanet Parkway station is the most appropriate option to achieve Kent County Council's strategic aspirations for East Kent.
- 6.7. This option is viewed by Kent County Council as the preferred option in enhancing the attractiveness of East Kent for investment and a high impact on growth. Thanet Parkway will also provide increased station capacity to support the development of housing and commercial growth in the area.

## **7. Public Consultation and Engagement**

- 7.1. In 2015, Kent County Council undertook an initial public consultation exercise on the high-level design, impacts and benefits of the Project. This consultation consisted of seven events across East Kent, which were supported by a range of consultation documents. A total of 529 responses were received, with the Project generally being well received. The outcome of the consultation was used to shape the final scheme design, planning application and Environmental Impact Assessment work.
- 7.2. In early 2017 a second eight-week public consultation exercise was undertaken to inform the planning application. The responses to this consultation were fully considered by Kent County Council through their own governance process as part of taking this Project forward.

- 7.3. Kent County Council appreciates the importance of engaging with key stakeholders to gain feedback on scheme proposals, and is committed to incorporating the views of those with an interest in the Project.

## **8. Project Cost and Funding**

- 8.1. The total cost of the Project is estimated to be £27.65m, as set out in Table 1 below.
- 8.2. Network Rail have indicated that, based on the current forecast vehicular flows, some upgrade work is required to the adjacent level crossing at Cliffsend. The exact specification of the works will need to be approved by Network Rail as part of the GRIP4 process.
- 8.3. An allowance of £3.25m for these upgrade works has been included within the total project cost. The extent of the works associated with the level crossing will be fully considered during the GRIP4 process, which is due to complete in June 2019. Following completion of the GRIP4 process an updated cost estimate will be produced. At this stage it is considered that the upgrade works at the Cliffsend level crossing will not exceed the £3.25m allowance currently included within the total project cost.
- 8.4. The Project funding package includes funding contributions from the following sources:
- 8.4.1. £14m LGF allocation (£10m from Round 1 and £4m from LGF3b) – considered in this report;
- 8.4.2. Up to £10.95m Kent County Council;
- 8.4.3. £2m from Thanet District Council - A grant agreement is currently being drafted between Thanet District Council and Kent County Council in relation to this funding allocation. Subject to completion of the grant agreement, this funding is secure; and
- 8.4.4. £700,000 from East Kent Spatial Development Company - Secured.
- 8.5. The contribution from Kent County Council is made up of three different funding allocations consisting of:
- 8.5.1. £2.65m which has been identified and allocated within Kent County Council's Medium-Term Financial Plan. This funding is therefore secure;
- 8.5.2. £4.3m which has been allocated in Kent County Council's Capital Investment Plan. This allocation was agreed at the County Council Budget meeting on 14<sup>th</sup> February 2019, and is therefore secure;

- 8.5.3. Up to £4m is required to bridge any remaining funding gap in the project funding package. Kent County Council will seek to underwrite this balance, potentially through a loan taken out against income from the station car park or through business rates retention.
- 8.6. Recent quantity surveying work by Kent County Council has indicated a potential £2m reduction to the current project cost estimate, as a result of further efficiencies and value engineering of the car park design. Following completion of the GRIP Stage 4 process an updated project cost estimate will be prepared which will provide clarification on the extent of the funding gap which Kent County Council will need to bridge through this means.
- 8.7. A provisional funding profile for the Project is set out in Table 1. Following completion of the GRIP4 process an updated spend profile may be developed in line with the revised cost estimate referenced above. This will be included in the full Business Case for consideration by the Board in September 2019.
- 8.8. No LGF funding can be sought by Kent County Council until the GRIP Stage 4 cost estimate has been confirmed and the Board have approved the full Business Case for the Project.

**Table 1 – Thanet Parkway Funding Profile (£)**

	Up to 2017/18	2018/19	2019/20	2020/21	2021/22	Total
SELEP LGF			4,000,000	10,000,000		<b>14,000,000</b>
Kent County Council	940,000	400,000	4,559,000	3,240,000	1,811,000	<b>10,950,000</b>
Thanet District Council			2,000,000			<b>2,000,000</b>
East Kent Spatial Development Company			700,000			<b>700,000</b>
<b>Total</b>	<b>940,000</b>	<b>400,000</b>	<b>11,259,000</b>	<b>13,240,000</b>	<b>1,811,000</b>	<b>27,650,000</b>

## 9. Outcome of ITE Review

- 9.1. A comprehensive business case has been submitted to SELEP for the Project. As per the Assurance Framework, a full Business Case is required for all projects with an LGF allocation of over £8m. As such, a full Business Case must be submitted to reaffirm the total cost of the Project and to ensure sufficient funding is identified to deliver the Project prior to contracts being awarded for the construction of the Project.



- 9.2. The ITE review confirms that the business case analysis has been carried out using Department for Transport WebTAG which shows that the additional revenue generated by the delivery of the Project will significantly exceed its operating and capital costs combined.
- 9.3. Department for Transport rail appraisal guidance requires that the revenue generated by a scheme is treated as a negative cost of the project rather than a benefit. Therefore, because the revenue generated by the scheme (negative costs) exceeds the capital costs (positive costs), the net present value of costs is negative. The benefit cost ratio is derived by dividing the scheme benefits by the costs so with a negative net present value of costs this results in a negative benefit cost ratio.
- 9.4. According to the Department for Transport's Value for Money Supplementary Guidance on Categories, for projects with a negative present value of costs, if the net present public value is positive and the benefit cost ratio is negative the project is considered to demonstrate very high value for money.
- 9.5. The economic appraisal for the project shows that the net present public value is £22.342m with a negative benefit cost ratio, therefore the project represents very high value for money.
- 9.6. There are, however, two outstanding areas of uncertainty. The first is the total Project cost and the second is the impact is the inclusion of crowding benefits. On high speed services, trains in the AM peak are currently at capacity, whilst on classic services, trains are 85-100% full. Adding passengers to these services would increase levels of crowding for existing users, on relatively long journeys into London. The impact of crowding has not yet been analysed.
- 9.7. Given the very high value for money, it is not expected that the assessment of the impact of crowding would reduce the Project's value for money to below high value for money. However, for completeness it is expected that this analysis will be conducted for inclusion in the updated business case to be submitted in July 2019 and considered by the Board in September 2019.
- 9.8. The award of LGF is also subject to an updated cost estimate being included in an updated version of the Business Case, following the GRIP Stage 4 cost estimate having been confirmed. This will be considered by the Board at its meeting on the 13<sup>th</sup> September 2019.

## **10. Project Compliance with SELEP Assurance Framework**

- 10.1. Table 2 below considers the assessment of the Business Case against the requirements of the SELEP Assurance Framework. The assessment confirms the compliance of the Project with SELEP's Assurance Framework.

**Table 2 - Assessment of the Project against the requirements of the SELEP Assurance Framework**

<b>Requirement of the Assurance Framework to approve the project</b>	<b>Compliance (RAG Rating)</b>	<b>Evidence in the Business Case</b>
A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan	Green	The Business Case identifies the current problems and why the scheme is needed now. The objectives presented align with the objectives identified in the Economic Strategic Statement.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account	Green	The expected project outputs and outcomes are set out in the Business Case and are detailed in the economic case. The Department for Transport's WebTAG guidance have been used to assess the expected outputs and outcomes of the Project.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)	Green	The Business Case demonstrates experience of delivering similar schemes in the area. A comprehensive quantified risk assessment has been provided which provides itemised mitigation measures.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions	Green	The economic appraisal has been conducted following a robust approach in accordance with Department for Transport guidance. This confirms that the project demonstrates high value for money.

## **11. Financial Implications (Accountable Body comments)**

- 11.1. All funding allocations that are agreed by the Board are dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2019/20 have yet to be confirmed and funding for future years is indicative.
- 11.2. Until confirmation of receipt of grant is received, any future funding awards made by the Board remain at risk. It is hoped that confirmation of receipt of the

funding will be made in advance of the Board meeting on the 12<sup>th</sup> April; a verbal update will be provided at the meeting to update on the latest position in this regard.

- 11.3. It is noted that in advance of any LGF being drawn down or spent on this Project, a final business case must be presented, which confirms: the total cost of the Project; and, that all respective funding allocations are in place; this confirmation is expected at the September 2019 Board meeting. In the event that these assurances are unable to be provided by Kent County Council at the September Board meeting, consideration should be given to reallocating any LGF awarded to this Project, through the SELEP investment pipeline.
- 11.4. All LGF is transferred to the sponsoring authority under the terms of a Funding Agreement or SLA which makes clear that future years funding can only be made available when HM Government has transferred LGF to the Accountable Body.

## **12. Legal Implications (Accountable Body comments)**

- 12.1. There are no legal implications associated with this report.

## **13. Equality and Diversity implication**

- 13.1. Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:
  - (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not;
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 13.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 13.3. 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 it is possible to identify mitigating factors where an impact against any of the protected characteristics has been identified.

## **14. List of Appendices**

## Thanet Parkway LGF funding decision

- 14.1. Appendix 1 - Report of the Independent Technical Evaluator (as attached to Agenda Item 5).

### 15. List of Background Papers

- 15.1. Business Case for the Thanet Parkway project.

**(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
<b>Accountable Body sign off</b>  Stephanie Mitchener  (On behalf of Margaret Lee, S151 Officer, Essex County Council)	    04/04/19