

Report to Accountability Board	Forward Plan Reference N/A
Date of Accountability Board Meeting:	16th March 2018
Date of report:	23rd February 2018
Title of report:	Thanet Parkway – Programme Update
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1. Purpose of report

- 1.1 The purpose of this report is to make the Accountability Board (the Board) aware of the latest progress in the Thanet Parkway Railway Station Project (the Project) in Kent. The Business Case for the Project has been reviewed through Gate 1 of the Independent Technical Evaluator (ITE) process, but the award of Local Growth Fund (LGF) to the Project has not yet been considered by the Board owing to a Project funding gap of approximately £8.8m. The LGF provisional allocation is £10m.

2. Recommendations

- 2.1 The Board is asked to **note** the current work being undertaken in order to progress the Project:
- (1) That further work is being undertaken to secure additional funding to bridge the current funding gap of £8.8m;
 - (2) That the Project can still be delivered within LGF timescales subject to full funding;
 - (3) That possible alternative delivery methods are being investigated to ensure best value for money; and
 - (4) That a funding decision is intended to be sought from the Board during 2018/19.

3. Background

- 3.1 This report is to update the Board on the latest position of the Project, which was allocated £10m LGF through LGF Round 1.

4. Project Funding

- 4.1 The Project has a total estimated cost of £21.4m. Alongside the £10m LGF allocation, there is a Kent County Council (KCC) capital contribution of £2.65m, leaving a funding gap of £8.8m. KCC made a bid to the New Stations Fund 2 (run by Network Rail and the Department for Transport (DfT)) in November

2016 for the remainder of the funding but it was announced in July 2017 that the bid had been unsuccessful.

- 4.2 The KCC Project Team met with the New Stations Fund team in October 2017 to review the reasons for the bid being unsuccessful. It was a largely positive meeting with the DfT being supportive of the Project and noting that the financially positive business case should attract commercial, private sector, investment. The fortuitous timing of the new South Eastern Franchise procurement means that it is an ideal time to undertake discussions with the three prospective bidders to seek a contribution towards the Project; ultimately the increase in ticket sales revenue will be received by the train operator.
- 4.3 These discussions with the three prospective bidders are ongoing and subject to confidentiality agreements due to the commercial sensitivity of the franchise bidding process. Consequently, no further comments on their progress can be made in this report.
- 4.4 However, even if the winning bidder agrees to contribute towards the station, KCC would not know the outcome of the franchising process until late 2018 (award is expected in November 2018) before the commencement of the new franchise on 1st April 2019.
- 4.5 Therefore, alongside discussions with the franchise bidders, KCC is considering alternative methods of funding the remaining cost of project. This includes investment in the car park at the new station (with its income servicing a loan). Further, Network Rail has an interest in securing private sector investment in the railway as one of DfT's priorities for the network. Consequently, its Asset Protection Team (who are already engaged on the project from a technical approval perspective) is also looking at potential third parties who would be interested in investment in the railway network. These discussions have identified one potential investor.. Another third party investor has also expressed an interest and discussions are being pursued simultaneously. The use of developer contributions is also under consideration.
- 4.6 Another possibility is to utilise underspend from other LGF schemes, recognising that the Project is a priority not only for KCC but is shown in the Strategic Economic Plan (SEP) as a priority in the area to support investment and remove congestion from the roads. Insufficient underspend has been identified by the Kent and Medway Economic Partnership to date to bridge the funding gap but this position is being kept under review.

5. Project Programme

- 5.1 KCC has commissioned specialist railway consultants to review the programme and the Project's ability to meet the LGF spend deadline (i.e. £10m spend by 31st March 2021). This work has shown that the Project can largely be constructed by 31st March 2021, with a projected opening date of December 2021 to coincide with the planned timetable change. KCC can therefore confirm

that the LGF can be fully utilised provided the Project continues to be developed whilst additional funding is sought.

5.2 The next stage in the Project programme is to commission an outline design (using Network Rail's staged approach to project delivery – Governance for Rail Investment Projects (GRIP) – this is equivalent to GRIP 4). This will produce a more in-depth design, and include more technical surveys, as well as high-level decisions on the types of materials to be used. Therefore, the cost estimate will be refined.

5.3 Key Project milestones are set out in Table 1 below.

Table 1 Thanet Parkway key milestones

Activity	Date
GRIP 3/AiP	Completed August 2017
Public consultation	Completed January – March 2017
NSF2 Announcement	Completed July 2017
Invitation to Tender for New South Eastern Franchise issued by the DfT	Completed December 2017
DfT confirmation that Thanet Parkway must be served by the new train operator	Completed December 2017
Planning application submitted	April 2018
Secure LGF	June 2018 (TBC)
GRIP 4 commences	March 2018
Planning application determined (expected)	October 2018 – January 2019
Land acquisition complete	October 2018 – January 2019
Detailed design & build contract award	July 2020
Construction start on site (GRIP 6)	October 2020
Station open	December 2021

6. Intended delivery method

6.1 KCC is investigating two possible delivery methods:

- 1) Design and build contract awarded by KCC.
- 2) Appointing Network Rail to manage the remaining GRIP stages.

6.2 The outputs from GRIP 4 will form the basis of a design and build contract (GRIP 5 – 8), if this delivery route is chosen. This would involve an OJEU compliant tender for the railway elements of the project. It is considered that given KCC's experience of highway design, the car park, access road and new junction would be retained in-house to design and project manage.

6.3 Alternatively, KCC could appoint Network Rail to take on the project management and they would deliver the station for an agreed price (using its own construction contracts). KCC is currently seeking an estimated price from Network Rail for this delivery method. In this scenario, KCC would also retain the design and delivery of the car park, access road and new junction.

- 6.4 The two delivery methods will be compared to ensure that best value is achieved.

7. Financial Implications (Accountable Body comments)

- 7.1 The significant funding gap on this Project presents a particular challenge for delivery by the end of the LGF programme in March 2021; however, it is noted that potential solutions are being investigated to address this.
- 7.2 It should be noted that any future LGF funding agreed by the Accountability Board is dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations beyond 31st March 2018 are yet to be confirmed, however, funding for this project is included in the indicative allocations provided by HM Government. It should also be noted that the Government are currently undertaking a Deep Dive review into the Governance arrangements of the SELEP; at the time of writing, it is not known whether the outcome of this review will impact on future funding allocations to SELEP.

- 7.3 The Board should also take into account the following in its considerations of this report:

- 7.3.1 The significant amount of slippage within the overall programme previously reported to be £39m, is now forecast to be £49.7m (including slippage on the retained schemes) by the end of 2017/18; this presents an increased programme delivery risk due to the high proportion of projects now due to be delivered in the final years of the programme; and it presents a reputational risk for SELEP regarding securing future funding from Government where demonstrable delivery of the LGF Programme is not as expected.
- 7.3.2 There is a LGF funding profile risk in 2019/20; whilst there is sufficient funding for all LGF projects across the duration of the programme, in 2019/20 there is currently a funding gap of £13.9m; it is noted that this risk is being carefully monitored by the SELEP Capital Programme Manager with potential options for mitigation being considered.

8. Legal Implications (Accountable Body comments)

- 8.1 There are no legal implications to this report

9. Staffing and other resource implications (Accountable Body comments)

- 9.1 No implications

10. Equality and Diversity implications

- 10.1 Section 149 of the Equality Act 2010 contains 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.
- 10.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 10.3 In the course of the development of the project business case, the delivery of the Project and its 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 appropriate mitigation where an impact against any of the protected characteristics has been identified.
- 10.4 The Project has an Equalities Impact Assessment in place, and this will continue to be updated as the project progresses.

Role	Date
Accountable Body sign off	
Stephanie Mitchener	08/03/2018
(On behalf of Margaret Lee)	