

AGENDA ITEM 3

Report to Accountability Board	Forward Plan reference number: FP/AB/047, FP/AB/048, FP/AB/049
Date of Accountability Board Meeting:	16th September 2016
Date of report:	5th September 2016
Title of report:	Business Case Approval
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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 case for the following scheme which has been assessed as presenting high value for money and demonstrates medium to high certainty of achieving this:
- A127 Bridge & Highway Maintenance (£1,000,000)
- 2.2 The Board is asked to consider approval of the business case for the following scheme which has been assessed as presenting high value for money, but demonstrates low to medium certainty of achieving this:
- Ashford International Rail Connectivity (£5,627,000)
- 2.3 The Board is asked to approve the increase in Local Growth Fund (LGF) allocation to Ashford International Rail Connectivity (Ashford Spurs) project from £5,000,000 to £5,627,000.

3. Background

- 3.1 This report brings forward, for release of funding, projects that have successfully completed the ITE process, a condition of the SELEP Assurance Framework agreed with Government. The projects are, according to the scheme promoters:

A127 Bridge & Highway Maintenance

- 3.2 The A127 is an aging corridor (originally opened in 1924), but one that is a vitally important primary route for the Thames Gateway South Essex (TGSE) area which connects the M25, Basildon and Southend (including London Southend Airport). The project is seeking £1m funding, which will fund investigation / surveys, needed to prioritise the level of maintenance work required on the A127 route. It will also support a new pedestrian footbridge at A127 Kent Elms Junction Improvement.

Ashford International Rail Connectivity (Ashford Spurs)

- 3.3 The Ashford Spurs project aims to ensure that the appropriate level of signalling and station access is in place to allow existing and future international trains to call at Ashford International Station. This will support the continued growth of Ashford and East Kent, and prevent the damage to the local economy which would result from the loss of international travel links.

4. Ashford International Rail Connectivity (Ashford Spurs) funding position

- 4.1 The current total project cost estimate for Ashford Spurs project is £10,497,490.
- 4.2 There is currently a £5,000,000 LGF allocation to the project. This comprises a £2,000,000 allocated from LGF Round 2 to the project and a £3,000,000 virement from Westenhanger Lorry Park project. This virement of funding was approved by SELEP Accountability Board on the 24th June 2016.
- 4.3 Based on the project cost estimate developed at an early stage of the project's development, it was anticipated that the £5,000,000 LGF would provide sufficient funding to enable project delivery. However, the preparation of the Business Case and project development work by Network Rail has led to a revised anticipated project cost of £10,497,490, including contingencies and risk.
- 4.4 In addition to the £5,000,000 LGF allocation a further £700,000 has been fully secured from a combination of funding sources, as shown in Table 1 below.
- 4.5 There is currently a £4,800,000 funding gap. A LGF Round 3 funding bid has been submitted to Government for £4,800,000 to bridge this funding gap. The outcome of this funding bid is expected to be announced in November 2016, as part of the Government's Autumn Statement.

Table 1 Ashford International Rail Connectivity (Ashford Spurs) funding sources

Funding Sources	2015/16 (£)	2016/17 (£)	2017/18 (£)	2018/19 (£)	Totals (£)
LGF2	0	2,000,000	1,000,000	2,000,000	5,000,000
LGF3 *	0	0	0	4,800,000	4,800,000
KCC & Partners	96,949	3,051	0	0	100,000
EU RoCK project	0	20,000	0	0	20,000
Network Rail (NRDF)	44,496	535,504	0	0	580,000
Total funding	141,445	2,558,555	1,000,000	6,800,000	10,500,000

* A LGF Round 3 funding bid has been submitted but this funding is not secure as the outcome of the funding bid has yet to be confirmed.

- 4.6 Approval is being sought from Accountability Board for the LGF allocation of £5,627,000.
- 4.7 This level of funding commitment is required for Kent County Council to enter into a legal agreement with Network Rail, to enable the project to progress to GRIP Stage 5. The main output from Network Rail GRIP Stage 5 is the completion of detailed design.
- 4.8 The allocation of £5,627,000 LGF is insufficient to deliver the project, but is required as 'development' funding to enable the project to process from Network Rail GRIP Stage 3b to 5.
- 4.9 As 'development' funding, no outcomes, in terms of economic or transport benefits, will be achieved from the £5,627,000 allocation without securing the additional LGF requested through LGF Round 3, to enable the project to progress through the remaining GRIP stages to project build and completion.
- 4.10 Close to the completion of GRIP Stage 5, a full Business Case will be presented to the Accountability Board for the release of additional LGF sought through LGF Round 3, to enable the delivery of the project.
- 4.11 There is a high risk to project delivery if funding is not secured through LGF Round 3.
- 4.12 The allocation of £5,627,000 LGF to the project exceeds the current LGF funding allocation of £5,000,000. This additional £627,000 presents an over profiling of Kent's LGF programme, which would be paid back as part of the £4.8m LGF Round 3 allocation to the project.

- 4.13 Should the LGF Round 3 funding bid prove unsuccessful, the £627,000 over profiling of LGF spend will be managed through offsetting against any LGF underspend within Kent's LGF Round 1 and 2 funding allocation.

5. Outcomes of ITE review

- 5.1 The ITE report sets out the detailed analysis of both projects. This report is included in Appendix A.
- 5.2 The assessment of the Business Case for A127 Bridge & Highway Maintenance confirms that the project presents high value for money and demonstrates a medium to high certainty of achieving this.
- 5.3 The assessment of the Business Case for Ashford International Rail Connectivity confirms that the project presents high value for money, but and demonstrates a low to medium certainty of achieving this.

6. Financial Implications

- 6.1 Approval can be provided to the two schemes in principle as they meet the requirements of the agreed SELEP Assurance Framework.
- 6.2 Approval is being sought from Accountability Board to increase the funding allocation to Ashford Spurs project to £627,000 above its current £5,000,000 funding allocation. This increase in funding allocation is proposed to be managed within Kent's LGF programme funding allocation should the LGF Round 3 funding bid prove unsuccessful.
- 6.3 It is understood that Kent County Council accepts the funding risk associated with the £627,000 over profiling. Through a letter of support, Kent County Council has agreed that this funding risk associated with the £627,000 over profiling sits with Kent County Council to be managed within their LGF programme allocation rather than as a risk to the total SELEP LGF programme.
- 6.4 Should this risk materialise, KMEP will need to agree any changes and a further decision will be required from SELEP Accountability Board to consider any reallocation of funding in relation to the project which exceeds the 10% tolerance. This will include a requirement to demonstrate that there will be no overall reduction in to the overall outcomes to be achieved through the Local Growth Deal programme.

7. Legal Implications

- 7.1 None at present.

8. Staffing and other resource implications

8.1 None at present.

9. Equality and Diversity implications

9.1 None at present.

10. List of Appendices

10.1 In support of this paper is Appendix 1 - Report of the Independent Technical Evaluator.

11. List of Background Papers

- Business Case for Ashford International Rail Connectivity
- Business Case for A127 Bridge & Highway Maintenance

(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	
Lorna Norris	08.09.2016