

<b>Report to Accountability Board</b>	<b>Forward Plan reference number:</b> FP/AB/112
<b>Date of Accountability Board Meeting:</b>	<b>22<sup>nd</sup> September 2017</b>
<b>Date of report:</b>	<b>24<sup>th</sup> August 2017</b>
<b>Title of report:</b>	<b>A2500 Lower Road Project LGF Funding Decision</b>
<b>Report by:</b>	<b>Rhiannon Mort, SELEP Capital Programme Manager</b>
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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 value for money assessment for A2500 Lower Road/ Barton Hill Drive Project (Project) in Swale, Kent which has been through the Independent Technical Evaluator (ITE) process to enable £1.265m funding to be devolved to Kent County Council for scheme delivery.

## **2. Recommendations**

- 2.1 The Board is asked to:

- 2.1.1 **Approve** the £1.265m LGF allocation to A2500 Lower Road/ Barton Hill Drive Project to support the delivery of the Project identified in the Business Case and which has been assessed as presenting high value for money with high certainty of achieving this.

## **3. Background**

- 3.1 This report brings forward the A2500 Lower Road/ Barton Hill Drive Project (the Project) in Swale, Kent for the £1.265m LGF allocation to this project through LGF Round 3.
- 3.2 A Business Case has been prepared for the Project and has completed the ITE process, as a condition of the SELEP Assurance Framework.
- 3.3 The ITE report sets out the detailed analysis of the Project. This report is included in Appendix 1, of Agenda Item 5.

## **4. A2500 Lower Road/ Barton Hill Drive Project**

- 4.1 The A2500 Lower Road improvements project will realign and improve the capacity of the existing A2500 Lower Road/Barton Hill Junction. This signalised priority junction is currently a pinch point on the principal 'A' road that serves the Isle of Sheppey from its connection with the Strategic Road Network.

- 4.2 There are already congestion issues at this junction and as such, the junction is acting as a barrier to the delivery of around 1500 new houses by 2031 which will be unlocked as a result of the junction improvement.
- 4.3 The limited route options for traffic wanting to enter or leave the Island places a significant demand on the A2500 Lower Road. The Island's tourism-related economy, coupled with the significance of the Prison Service on the Island gives rise to further peaks in traffic demand. The cumulative pressures being placed on the A2500 Lower Road is currently resulting in significant delays and issues concerned with journey time reliability for all users, which has reached an unacceptable level.
- 4.4 In the context of the emerging Local Plan, a proportionate amount of development allocations will bring the transport network under strain across Sheppey, with increasing focus on the need for upgrades. The rationale for the junction improvement package is to implement the scheme to improve journey time and improve journey time reliability through tackling this network constraint.
- 4.5 To remove the constraint, the signal controlled junction will be replaced by a 3-arm roundabout at Lower Road/Barton Hill Drive.
- 4.6 The expected Project objectives are set out in Table 1 below.

*Table 1 A2500 Lower Road/ Barton Hill Drive Project Objectives and Desired Outcomes*

Objectives	Desired Outcomes
Alleviate congestion at the A2500 Lower Road/ Barton Hill Drive	Reduction in delays at the junction
Support the largely tourism focused economy by improving the efficiency of the transport network	Reduction in travel time through the scheme corridor, enabling access to the eastern part of the island.
Support the economy by supporting the delivery of houses	Contribute to mitigating the impact of new homes in Swale
Support the economy through Sheppey's case for the potential expansion of the Prisons and the delivery of jobs	Contribute to mitigating the impact of new jobs in Sheppey.

- 4.7 The total cost of the Project is estimated at £1.8m, including inflation and risk allocation costs. In addition to the £1.265m LGF allocation, the remaining Project cost will be funded through developer contributions through S106 agreements.
- 4.8 The developer contributions have been identified from specific development sites which will benefit from the Project. A verbal update will be provided at the Board meeting to confirm the availability of these developer contribution funding sources.

- 4.9 The scheme promoter is required to bridge any funding shortfall should the developer contributions to the project not materialise.

*Table 2 A2500 Lower Road/ Barton Hill Drive Funding Profile*

Funding Source	Contribution
SELEP LGF	£1,264,930
Developer Contributions (S106)	£540,000
Total	£1,804,930

## **5. Outcome of ITE Review**

- 5.1 The SELEP ITE has assessed the Project Business Case through the Gate 1 and Gate 2 process and has recommended that the Project achieves high value for money with a high certainty of achieving this.
- 5.2 The Project Business Case has demonstrated that the Project presents high value for money, with a Benefit Cost Ratio (BCR) of 2.58:1. This BCR has been calculated following the Department for Transport WebTAG guidance.

## **6. Compliance with SELEP Assurance Framework**

- 6.1 Table 3 below considers the SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework.
- 6.2 The assessment confirms the compliance of the project with SELEP's Assurance Framework.

*Table 3 SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework*

Requirement of the Assurance Framework to approve the project	Compliance	Evidence in the Business Case
A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan		The ITE review confirms that the objectives align well with national, subnational and local policies.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account		<p>The ITE review confirms that a spreadsheet based model developed to estimate the journey time savings has been developed.</p> <p>This model has been developed to assess the expected outputs and</p>

		outcomes of the intervention following WebTAG guidance.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)		<p>The ITE review confirms that a Quantified Risk Assessment has been completed and a Risk Register is included in the Business Case.</p> <p>The Business Case also confirms that a scheme risk register will be maintained and updated at each of the two-weekly Project Steering Group meetings. Responsibility for the risk register being maintained will be held by the KCC Programme Manager and will be reported as part of the monthly Progress Reports.</p>
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions		A BCR has been calculated as 2.58:1, which indicated high value for money.

## 7. Financial Implications (Accountable Body comments)

- 7.1 The current forecast spend for 2017/18 as set out in the Capital Programme Management report (agenda item 12), anticipates slippage of LGF of £7.890m (excluding retained schemes) and as such, there is sufficient LGF available in the current year to meet the planned spend requirement for the project in 2017/18.
- 7.2 The Government has previously stated that failure to spend LGF in the year allocated, may impact on future year funding allocations; the slippage in the current year identified in the Capital Programme Management report therefore represents a risk to future allocations for all projects. This position is being actively monitored by the SELEP Capital Programme Manager to address this risk (see Capital Programme Management report for further information).
- 7.3 It should be noted, however, that whilst future year grant payments from Government haven't been confirmed, funding for this project is included in the current indicative LGF allocations provided by Government. There is a risk, however, that the profiling of the indicative allocations of LGF is out of alignment with the current planned spend across the whole programme - this creates a forecast funding gap of £9.2m in 2018/19 and £17.3m in 2019/20 respectively. The funding gaps present a delivery risk to all projects that require LGF in those years. The Capital Programme Report sets out how that risk is to be managed. The funding gaps in both years are offset by an excess

of funding in 2020/21 and the indicative programme funding is sufficient to meet the costs of all currently programmed projects and allocated projects over the life of the programme.

- 7.4 There are SLAs in place with the sponsoring authority which makes clear that future year funding can only be made available when the Government has transferred LGF to the Accountable Body.

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

- 8.1 There are no legal implications arising out of this decision. All funding will be transferred to the sponsoring authority under the provisions of the SLAs already in place.

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

- 9.1 None at present.

## **10. Equality and Diversity implication**

- 10.1 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.
- 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 their 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 were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

## **11. List of Appendices**

- 11.1 Appendix A - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).

## **12. List of Background Papers**

- Business Case for A2500 Lower Road Improvements

**(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)**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b>  Suzanne Bennett  (On behalf of Margaret Lee)	  13/09/17