

## Appendix 3: High risk LGF projects

### 1. Purpose

- 1.1. There are a total of 9 high risk projects, with a further 10 projects identified as medium/high risk.
- 1.2. This appendix provides information on the projects considered high risk, with a risk score of 5 (high), based on deliverability, finance and reputational risk, on a 1 – 5 scale.
- 1.3. The high-risk projects include the following schemes:
  - 1.3.1. Queensway Gateway Road, East Sussex (£10m LGF)
  - 1.3.2. Bexhill Enterprise Park North, East Sussex (£1.9m LGF)
  - 1.3.3. Exceat Bridge Replacement, East Sussex (£2.1m LGF)
  - 1.3.4. Beaulieu Park Railway Station, Essex (£12m LGF)
  - 1.3.5. M11 Junction 8 (£2.7m LGF)
  - 1.3.6. A28 Chart Road, Kent (£2.8m LGF)
  - 1.3.7. A28 Sturry Link Road, Kent (£5.9m LGF).
  - 1.3.8. Innovation Park Phase 2, Medway (£3.7m LGF)
  - 1.3.9. Innovation Park Phase 3, Medway (£1.5m LGF)
- 1.4. Updates are provided on the delivery of Queensway Gateway Road, Bexhill Enterprise Park North, M11 Junction 8 and A28 Sturry Link Road under separate update reports as part of the meeting agenda pack.
- 1.5. An update on the delivery of the remaining five high risk projects is set out below, with the Innovation Park Medway Phases 2 and 3 having been combined.

Project: <b>Exceat Bridge Replacement</b>	LGF award: £2.111m	Risk Rating:	5
Status: Pending approval	Forecast LGF spend beyond 31 March 2021: £1.377m		
<p>Project description:</p> <p>Exceat Bridge is part of the A259, one of the principal road networks in East Sussex which serves two of the County’s growth areas for housing and employment; Newhaven and Eastbourne/South Wealden. The A259 is a critical route for economic connectivity from the East of the county, along the East Sussex coast to Brighton and through to West Sussex, including linkage to a key port at Newhaven.</p> <p>Access is currently constrained by the narrow one lane bridge across the Cuckmere River with priority being given to traffic from the west and the lack of sufficient footpath provision between the bridge and the Seven Sisters Country Park visitor centre. The bridge causes a bottleneck on the A259 creating congestion, capacity and pollution issues. The proposed scheme would involve the replacement of the existing bridge with a new two-lane bridge over the river and improvements for pedestrians.</p>			
<p>Project benefits:</p> <p>The proposed scheme will not directly unlock new sites for development in this location, it will do so indirectly through an improved transport network and reduced journey times; this will support growth in the local areas of Eastbourne, Seaford and Newhaven.</p>			



The proposed benefits include:

- improved accessibility and capacity in the area enabling the planned growth of nearby towns and encouraging commerce and tourism;
- safer access for pedestrians and cyclists;
- improved journey time and reliability for business, residents and tourists along the A259 corridor; and
- environmental benefits, from reduced emissions

Risks:

The project was considered and award £2.111m LGF at the last meeting of the Board, subject to written confirmation that all funding sources have been secured to enable the delivery of the Project. At the time of the funding decision being made, there was a potential £1.4m contribution identified from a DfT Challenge Fund which was within East Sussex County Councils gift to allocate to projects in East Sussex. However, the Exceat Bridge project was not successful in securing the funding, resulting in a £1.4m funding gap.

No alternative funding sources have been identified to bridge the funding gap and to enable the project to proceed.

No LGF has been spent on the delivery of the project to date.

Mitigation/action required:

The project is currently unable to meet the conditions of the funding award and assurances cannot be provided to the Board over the future delivery of the project beyond 31 March 2021. It is therefore recommended that the project should be removed from the LGF programme and the £2.111m LGF funding be reallocated to the next project on the pipeline.

Project: <b>Beaulieu Park Railway Station, Essex</b>	LGF award: £12m	Risk Rating:	<b>5</b>
Status: Project is currently at GRIP Stage 3 (Option Selection) of project development through Network Rail processes.	Forecast LGF spend beyond 31 March 2021: £12m		
<u>Project description:</u> The delivery of a new railway station to support the delivery of 3,600 new homes in North East Chelmsford.			
<u>Project benefits:</u> Chelmsford’s transport network is acting as a constraint to growth in Chelmsford. There is neither the desire nor the space to expand the City Centre’s road network, which is widely reported to be at 96% capacity at peak periods. City Centre car parks and Chelmsford station itself are unable to cater for significant growth in demand.  The Project is being brought forward to support the growth of North Chelmsford, tackle congestion issues within Chelmsford Town Centre, and improve rail access and capacity.			
<u>Risk:</u> The project is a large-scale infrastructure projects, estimated to cost between £154m and £157m. The project has been successful allocated Housing Infrastructure Fund (HIF) but the funding agreement has not			

yet been signed with Central Government to secure this funding.

The delivery of the project extends beyond the Growth Deal, as construction works are not due to commence until 2023/24 and the project is due to complete in 2024/25. This creates a reputational risk to SELEP as the LGF is due to be spent by the end of 2020/21. As the LGF is not due to be spent until 2024/25, no LGF has been transferred to Essex County Council to date in relation to the project.

Mitigation/action required:

An update on the HIF agreement will be provided to the Board at the next meeting in October 2020.

Project: <b>M11 Junction 8, Essex</b>	LGF award: £2.734m	Risk Rating:	5
Status: Project has been placed on pause	Forecast LGF spend beyond 31 March 2021: £0m		
Project description:  Improvements to M11 Junction 8 in order to improve traffic flows across the junction, improve access to Stansted Airport, the Services area and between M11 and the A120.			
Project benefits:  Junction 8 of the M11 is currently operating at capacity and already experiences significant queuing on some arms at peak periods. Stansted Airport has been growing at an unprecedented rate of 2 million passengers per annum (mppa) and committed developments in the area, in particular in Bishop’s Stortford, will increase congestion at the junction.			
<u>Risk:</u>  The project has been awarded £2.7m LGF, of which £2.2m LGF has been spent to date. A tender process has been completed to appoint the main construction contractor, but the received tender costs exceed the original estimate. The received tender costs coupled with the contingency value required for a scheme of this nature, has increased the scheme cost by approx. £5m. The cause of the high tender costs is being explored by the ECC project team but are expected to relate the interface between the junction and M11, resulting in a high- risk allowance within the tender cost.  In addition to the increase in tender cost, there is also a risk to the expected £1m contribution from Manchester Airport Group and £1m from the Cambridgeshire and Peterborough Combined Authority. The net impact of the cost increase and the reduced funding contributions is a potential £7m funding gap. The project budget is therefore under internal review by Essex County Council.  The project has been placed on hold by Essex County Council. Should Essex County Council (ECC) decide not to proceed with the delivery of the project, the £2.2m LGF spent to date on the project will become an abortive cost and will need to be repaid to SELEP.			
<u>Mitigation/action required:</u>  The project is currently being considered through ECC’s internal processes to review the options available to bridge the funding gap.  It is recommended that the Board place the project on hold to ensure that no further abortive LGF spent is incurred on the project, should the project not proceed.  As per the main report, certainty is required over the deliverability of LGF projects to enable an Option 4			

swap to be implemented by the end of the Growth Deal or to identify an alternative project for investment. As such, it is proposed that an options report should be presented to the Board at its meeting in November 2020 to identify a means to bridge the funding gap or for the remaining £0.5m unspent LGF to be reallocated to LGF pipeline projects.

Assurances will also be sought from ECC finance to ensure that the LGF spend to date remains a capital cost, in line with the conditions of the LGF grant from Central Government.

Project: <b>A28 Chart Road</b>	LGF award: £2.756m	Risk Rating:	5
Status: On hold	Forecast LGF spend beyond 31 March 20201: £0m		
<u>Project description:</u>  The Project scope includes the dualling of the existing A28 Chart Road carriageway with two lanes being provided in both directions between Matalan (Brookfield Road) and Tank (Templer Way) roundabouts, separated by a central island. A new bridge over the railway line is proposed to take the southbound carriageway with the existing bridge carrying the northbound carriageway. The existing carriageway between Matalan and Tank is single carriageway with limited capacity.			
<u>Project benefits:</u>  The Project is linked to the Chilmington Green development, with the Project needing to be completed in order to unlock this area for development including 5,750 dwellings.			
<u>Risk:</u>  The project has been placed on hold, as the local funding contributions were not forthcoming within the timescales required to enable the project to proceed. The unspent portion of the £10.2m LGF award was reallocated but there remains a risk that the £2.756m LGF spent to date will become an abortive cost if the project is unable to proceed through delivery by the private sector.			
<u>Mitigation/action required:</u>  Project to be kept under review.			

Project: <b>Innovation Park Medway</b> <b>(Phases 2 &amp; 3)</b>	LGF award: £3.7m Phase 2, £1.5m allocated for Phase 3	Risk Rating:	5
Status: Phase 2 has been approved by Accountability Board. Phase 3 has also been approval by Accountability Board, subject to the Strategic Board agreeing the LGF spend beyond the Growth Deal and confirmation from Medway Council S151 officer to confirm the full funding package is in place, including the funding to deliver the IPM mitigation works to M2 Junction 3.	Forecast LGF spend beyond 31 March 2021:  £1.1m – Phase 2  £0.6m – Phase 3		
<u>Project description:</u>			



The Innovation Park Medway (Phase 2) will deliver the enabling infrastructure required to bring forward development on the northern section of the Innovation Park. This includes the delivery of an access road and utility works.

Innovation Park Medway Phase 3 seeks to deliver enabling works on a wider section of the northern site of the Innovation Park. This aims to allow accelerated development of commercial space and maximising the number of businesses who can benefit from establishing themselves within the North Kent Enterprise Zone.

Project benefits:

Phase 2 is expected to create 1,365 highly skilled jobs in engineering and technology.

Phase 3 is expected to bring forward 38,500m<sup>2</sup> (gross external area) of commercial workspace and 1,300 highly skilled jobs in the engineering and technology sector. This is in addition to the jobs which will be delivered as a result of the LGF2 funded Innovation Park Medway (northern site) – Enabling Infrastructure project.

Risk:

The project has previously been brought to the Boards attention due to concerns that have been raised by Highways England in relation to the impact of the project on the Strategic Road Network (SRN). Until these concerns have been fully addressed, the planning consent cannot be secured to proceed with the delivery of the project.

Medway Council have confirmed that positive discussions have continued with Highways England to agree the scope of the mitigation work. This mitigation is currently being designed and costed, prior to formal approval by Highways England and Kent County Council. Once the mitigation works have been agreed, the revised Local Development Order will be consulted on. The Local Development Order is now not expected to be approved until December 2020. The project is unable to proceed until the LDO is in place and as such, the delivery programme for the project has been delayed.

It is intended that recommendations will only be made to the Accountability Board to implement an option 4 swap (i.e. the advanced payment of all remaining funding to Medway Council in relation to the project) at the end of 2020/21 if the Local Development Order is in place.

Mitigation/action required:

The Strategic Board are due to consider the extension of LGF spend beyond the Growth Deal in October 2020.