

Report to Accountability Board	Forward Plan reference number: FP/AB/145
Date of Accountability Board Meeting:	23rd April 2018
Date of report:	4th April 2018
Title of report:	A414 Pinch Point Package Funding Award
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1. Purpose of report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of an additional £487,000 to the A414 Pinch Point Package (the Project).
- 1.2 The Project was originally awarded £10m Local Growth Fund (LGF) in June 2015, but has experienced delays and issues which have led to an increase in the Project total cost. As such, the Project seeks an additional £487,000 LGF which is available as a result of the reduced cost of the A414 Harlow to Chelmsford scheme.
- 1.3 The Business Case has been reviewed through the Independent Technical Evaluation (ITE) process in light of this increase to the Project cost. The detail of this review is set out in the ITE reported included in Appendix 1, of Agenda Item 5.

2. Recommendations

- 2.1 The Board is asked to **approve** one of the following two options:
 - 2.1.1 **Option A** - Approve the award of an additional £487,000 LGF to support the completion of the Project which has been assessed as presenting high value for money with medium to high certainty of achieving this.
 - 2.1.2 **Option B** – Delay a decision on a further award of LGF to the Project until the SELEP pipeline of projects in place. *See section 7 below for further details.*
- 2.2 The Board is asked to **note** that the Change Request has not been considered by Essex Business Board

3. A414 Harlow Pinch Point Package

- 3.1 The A414 is the principal access route into Harlow Enterprise Zone and North-Eastern Harlow, but currently suffers from severe congestion during peak periods.
- 3.2 The purpose of the Project is to deliver a package of improvements at three of the most congested junctions along this corridor. These include:
 - 3.2.1 A414/ First Avenue/ Gilden Way junction improvements - addition of left turn slips and expanded carriageway (Delivery Package 1)
 - 3.2.2 A414/ Cambridge Road junction improvements – widened approach and left turn slips (Delivery Package 2)
 - 3.2.3 Upgrading Edinburgh Way (A414) to dual carriageway with upgraded cycle and footways (Delivery Package 3).
- 3.3 The objectives of the Project are to:
 - Safeguard existing jobs and support the creation of new jobs;
 - Support innovation and the development of Harlow Enterprise Zone;
 - Support key business sectors identified in the Economic Plan for Essex;
 - Strengthen the competitive advantage of strategic growth locations;
 - Support the development and delivery of new housing;
 - Release land for development – both housing and employment space; and
 - Strengthen the local economy.

4. Delivery update and funding

- 4.1 The Delivery Package 1 was completed in May 2017, but the cost of delivering the package increased from the anticipated £4.342m to £6.650m, a 53% increase to the original calculated cost. This cost escalation occurred as a result of a significant number of changes to the Project through its delivery and compensation claims by the contractor.
- 4.2 The reasons for the increase in Project cost include:
 - 4.2.1 Changes made to the design as the Project progressed. An example of this is the omission of a regulating course (needed to form the base for road surfacing) by the designer which resulted in a significant additional cost, which was not included within the original tendered cost;
 - 4.2.2 Significant compensation events from the contractor due to drainage design issues and the signage on the scheme; and
 - 4.2.3 An increase in the fees paid to the contractor for the contract administration of the Project, as the Project has taken longer and owing to the number of design changes which were prepared by the contractor.
- 4.3 Value engineering has been undertaken to help mitigate the impact of this cost escalation and cost savings have been achieved through the later work packages. However, the overall Project cost has increased from £15m to £18.3m, as per the funding breakdown shown in Tables 1 & 2 below.

- 4.4 Construction work on the two remaining delivery packages began in January 2018 and is due to complete in summer 2019. The final delivery package to be delivered is for the upgrading Edinburgh Way (A414) to dual carriageway. However, an additional LGF award is sought to help complete the Project. This funding has been identified from the A414 Chelmsford to Harlow LGF scheme.

5. Reallocation of LGF to the Project

- 5.1 The A414 Chelmsford to Harlow scheme was originally allocated £3.660m LGF through LGF Round 1. However, the revised cost estimates prepared as part of the Business Case development identified a lower total cost of £2.173m and, as such £1.487m has been identified as unallocated.
- 5.2 At the Board meeting on the 17th November 2017 the Board approved the reallocation of £1m LGF from the A414 Harlow to Chelmsford scheme to the Mercury Rising Theatre, leaving a balance of £0.487m LGF available. At the time the Board were made aware of the intention for this remaining LGF to be re-allocated to the A414 Harlow Pinch Point Package.
- 5.3 Essex County Council have now come forward with a Change Request for the Board to consider the re-allocation of the unallocated £0.487m LGF to the A414 Harlow Pinch Point Package. This change has not been considered by Essex Business Board (EBB) Federated Board, as required for a project change of this nature, but has been brought forward directly by Essex County Council.
- 5.4 The re-allocation of £0.487m to the A414 Harlow Pinch Point Package project will not in itself bring forward any additional benefits, but will be used to support the completion of the remaining two delivery packages. The increased scope of the Project has included the installation of safety barriers and safety improvements outside of local schools which were not included as benefits within the original Project Business Case.

Table 1 Original Funding Profile, as set out in the Project Business Case (£m)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
LGF		0.700	3.000				10.000
Essex County Council	0.660	1.244	2.820				4.724
Total	0.660	8.244	5.820				14.724

Table 2 Updated Funding Profile, to include the proposed additional £0.487m LGF (£m)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
LGF		5.870	2.130	2.000	0.487		10.487
Essex County	0.396	-1.434*	1.310	1.622	5.880		7.774

Council							
Total	0.396	4.436	3.440	3.622	6.367		18.261

*£1.434m applied to Harlow Enterprise Zone in 15/16 and reimbursed by ECC in future years

6. Outcome of ITE Review

- 6.1 The original business case for A414 Harlow Pinch Point Package was reviewed by the ITE in May 2015, with the Project being recommended to the Board as presenting high value for money with a medium/high certainty of achieving this. The original Benefit Cost Ratio (BCR) for the Project was 4.2:1, presenting very high value for money.
- 6.2 In light of the revised total Project cost, the value for money assessment has been reviewed. This review has confirmed that the BCR value remains very high at 4.1:1 and continues to represent high value for money. The certainty of the Project delivering high value for money has also increased as the certain phases of the Project have already been delivered and the later work packages are nearer completion than when the original Business Case was assessed, therefore reducing the Project delivery risk.
- 6.3 However, there is an opportunity cost associated with the investment of the additional £0.487m in the Project. A notional Service Level Agreement is in place in relation to LGF spend, which sets out the requirement for Essex County Council to bear the cost of any Project overspends. Therefore if the Board choose not to support the Change Request detailed in this report then Essex County Council will be required to fund the overspend on the Project and the £0.487m will be available for investment in a new LGF projects.

7. Alternative Options

- 7.1 The feedback from SELEP's recent Deep Dive with officers from Central Government included the following recommendation:
- "SELEP should take steps to satisfy themselves that any underspend at a federated level is reallocated to the most promising and best value for money projects. As outlines in the Annual Conversation letter, the Investment Panel' should prioritise pipeline projects to ensure that underspends are redistributed in the most effective way possible".*
- 7.2 In light of this requirement from Central Government for SELEP to develop and maintain a single pipeline of LGF projects to help inform decision making around the use of any LGF underspends, a proposed approach will be considered at the next Strategic Board on the 29th June 2018 to develop a single pipeline of LGF projects. Once this pipeline of projects has been agreed it will be used to inform decision making by the Board around the use of LGF underspends.
- 7.3 In advance of the pipeline having been agreed and the proposed A414 Change Request having been endorsed by EBB, the Board may wish to

consider the alternative option, for the use of the additional £0.487m to be delayed the decision on the use of this underspend until the pipeline has been developed. However, it is unlikely that the single pipeline of LGF projects will be agreed until the latter part of 2018/19. This will create a higher level of uncertainty as to the potential availability of LGF to help bridge the funding gap for the Project.

- 7.4 If the Board agree Option 1, for the Change Request to be approved, then EBB should be made aware of the change through its next LGF capital programme update.

8. Compliance with SELEP Assurance Framework

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

Table 3 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 Business Case sets out the strategic case for the Project in the context of the SELEP Strategic Economic Plan, Essex Economic Growth Strategy and the Harlow Local Plan.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account		<p>The expected project outputs and outcomes are set out in the Business Case and detailed in section 3 above.</p> <p>The ITE review confirms that an appropriate appraisal approach was applied to the assessment of the project benefits.</p>
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)		<p>The Business Case includes a risk register which includes risk mitigation and risk owners.</p> <p>A high level project programme was included within the Business Case.</p> <p>An organisation chart has also been included which sets out individual roles</p>

		and responsibilities.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions		<p>The original Business Case Value for Money assessment demonstrated a Benefit Cost Ratio of 4.2:1.</p> <p>In light of the revised total Project cost the BCR, the BCR has reduced marginally to 4.1:1. This BCR is still categorised as very high value for money.</p>

9. Financial Implications (Accountable Body comments)

- 9.1 Under the federated structure, the usual process is for project changes to be presented to the relevant Federated Board for endorsement before being tabled to Accountability Board. The options presented in this paper haven't been presented to the Essex Business Board (EBB) at time of writing. It is recommended that the EBB is updated on the change at its next meeting.
- 9.2 As part of the recent 'Deep Dive' by Government officials, a clear recommendation was that under spends should be considered in the round with reference to the pipeline of projects for the LEP and the best value that can be gained by investment. Option A in this report allocates an underspend to this Project without reference to the wider body of projects available, which is outside of the Deep Dive recommendation. However, SELEP is currently establishing a pipeline and a process for assessing and allocating to the pipeline.
- 9.3 An option is tabled to the Board to delay any further investment to the project until the pipeline process is established but the Board should be aware that this would present a large delivery risk to the project as it is unlikely that such a process would be in place before the latter part of 2018/19. A delay of this magnitude would also be likely to cause cost increases, further exacerbating the over spend position.

10. Legal Implications (Accountable Body comments)

- 10.1 There are no legal implications as a result of this decision.

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

- 11.1 None at present.

12. Equality and Diversity implication

- 12.1 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.

12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

12.3 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.

13. List of Appendices

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

14. List of Background Papers

- Business Case for A414 Harlow Pinch Point Package

(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 Stephanie Mitchener (On behalf of Margaret Lee)	19/04/18