

Forward Plan reference number: FP/AB/178

Report title: Beaulieu Railway Station LGF funding decision	
Report to: SELEP Accountability Board	
Report author: Rhiannon Mort, SELEP Capital Programme Manager	
Date: 15 th February 2019	For: Decision
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SELEP Partner Authority affected: Essex	

1. Purpose of Report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of Local Growth Fund (LGF) to Beaulieu Railway Station (the Project) based on the Outline Business Case, which has been through the Independent Technical Evaluator (ITE) review process.
- 1.2 As this Project is seeking LGF beyond the Growth Deal, it is therefore linked to the decision making by the Board under Agenda Item 5 which considers SELEP's position in relation to LGF spend beyond the 31st March 2021.
- 1.3 If the decision under Agenda Item 5 is deferred then the decision making as part of this report will also need to be deferred.

2. Recommendations

- 2.1. The Board is asked to approve one of the three following options:

Option 1 - Approve the award of the full £12m LGF allocation to the Project, subject to:

- 2.1.1.1. A Value for Money review being completed for the overall Project by the Ministry for Housing Communities and Local Government (MHCLG), as part of the Housing Infrastructure Fund (HIF), that meets the requirements of the value for money exemption 2 of the SELEP Assurance Framework; and
- 2.1.1.2. Receipt of evidence from MHCLG that they have approved the award of sufficient funding through its Housing Infrastructure Fund (HIF), to bridge the Project funding gap; and
- 2.1.1.3. Board agreement, under Agenda Item 5, that planned LGF spend beyond 31st March 2021 is permissible; and
- 2.1.1.4. Endorsement from the SELEP Strategic Board that the LGF can be retained against the Project beyond 31st March 2021; or

Option 2 - Approve the award of the £2.73m LGF allocation to the Project, subject to:

2.1.1.5. A Value for Money review being completed for the overall Project by the Ministry for Housing Communities and Local Government (MHCLG), as part of the Housing Infrastructure Fund (HIF) , that meets the requirements of the value for money exemption 2 of the SELEP Assurance Framework; and

2.1.1.6. Receipt of evidence from MHCLG that they have approved the award of sufficient funding through its Housing Infrastructure Fund (HIF), to bridge the Project funding gap.

Under Option 2 the remaining £9.27m which cannot be spent within the Growth Deal period would be reallocated through LGF3b pipeline development process.

Option 3 - Reallocate the £12m provisional allocation to the Project through the LGF3b process given the low BCR value and the substantial LGF spend beyond 31st March 2021.

3. Background

- 3.1. In June 2014, a provisional funding allocation was made to the Project, for the delivery of a new railway station in North East Chelmsford. The Project has previously been unable to draw down on the LGF allocation to the Project due to the substantial funding gap.
- 3.2. The Project is now progressing through the MHCLG process to be considered for a HIF award which, if successful, will bridge the funding gap for the Project.
- 3.3. In advance of the HIF bid being submitted to MHCLG on the 22nd March 2019, a funding decision is being sought from the Board in relation to the LGF allocation to the Project.

4. Context

- 4.1. Chelmsford plays a key role in ensuring the prosperity of the wider Essex region. Strategic infrastructure is needed to support the ambition of Chelmsford and in particular North Chelmsford as a location for significant new development growth to deliver its potential.
- 4.2. The north of Chelmsford is a key focus for the City's growth to 2036. Development is already underway toward the delivery of 4,000 homes. Of these 4,000 homes, 1,100 have received outline planning permission subject to the provision of Beaulieu station or an alternative sustainable transport mechanism.
- 4.3. In addition, the Chelmsford City Council Draft Local Plan, which is now subject to Examination, proposed a further 3,000 homes and 45,000m² of office/business park in North East Chelmsford, 1,100 homes in Great Leighs and 450 homes in Broomfield over the Local Plan period to 2036, with a further 2,500 homes in North East Chelmsford beyond 2036.

- 4.4. In order to capitalise on its prime location adjacent to the Great Eastern Main Line, A12 and A130 (A131), a station is required in order to provide the connectivity for residents and firms to jobs, suppliers, customers and workers both within Essex and to London and further afield.
- 4.5. Chelmsford's transport network is acting as a constraint to some of this potential growth. 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.
- 4.6. Chelmsford station is the busiest two platform station outside London. Investment has been made in Chelmsford station both through a second station access, improved ticket hall, public transport interchange and cycle storage and the SELEP supported Mill Yard improvement, but it is a constrained 2 platform site on a viaduct making further enhancement likely prohibitive in cost and benefit.
- 4.7. Chelmsford is also a transport and economic hub for a wider sub-region beyond its administrative boundaries. Improved access to the rail network for growing communities (Maldon, Heybridge, Great Dunmow and Braintree) in the Heart of Essex will help to spread the benefits and increase the attractiveness of these adjacent districts as places to live, work and visit.
- 4.8. Maldon East & Heybridge station closed in 1964, Great Dunmow formally in 1961 and Braintree's rail service is provided on an hourly frequency and perceived as unreliable and not well located for recent growth areas such as Great Notley.
- 4.9. The use of Chelmsford Station by people living in communities outside of the town itself is exacerbating transport problems in the city. Traffic modelling of Chelmsford has identified that in the morning and evening rush hours, Chelmsford's road network is currently operating at approximately 96% capacity.
- 4.10. The Project is therefore being brought forward to support the growth of North Chelmsford, tackle congestion issues within Chelmsford Town Centre, and improve rail access and capacity.

Figure 1 Beaulieu Railway Station Location



5. Beaulieu New Railway Station (the Project)

- 5.1. The new station is being proposed on the existing Great Eastern Main Line (GEML) on the eastern side of Beaulieu, 3 miles north east of Chelmsford, located adjacent to the A12/A138/B1137 junction 19 to serve the growth in North Chelmsford as well as wider growth in parts of Maldon, Braintree and Uttlesford districts not well served by rail.
- 5.2. Outline planning consent had been granted for the station and Project development work has continued to develop the design of Beaulieu station. The design has evolved through NR's GRIP stage 1 and 2 processes to become a three-platform station with a passing loop.
- 5.3. The turnback / passing loop provides operational resilience and flexibility in a network that is heavily used and operating at near capacity. This scheme option gives Network Rail full operational ability to turn back trains in both directions and also allows trains to pass each other in both directions. The station is proposed to be a rail head and would be used to start / terminate some of the services that today start / terminate at Chelmsford, to distribute demand effectively and to allow for services to be timetabled effectively.
- 5.4. The station will provide train services for residents and workers, support future business development and existing business activity, and will relieve pressure on Chelmsford station. The station design also incorporates a public transport interchange, multi-storey car parking, cycle parking and access.

5.5. The intended benefits of the Project include:

- 5.5.1. Acceleration of planned new homes and jobs and their associated economic benefits
- 5.5.2. Facilitation of dependent development - new homes and jobs and their associated economic benefits which otherwise could not happen
- 5.5.3. Increase in fare box revenue for the railway
- 5.5.4. Reduced congestion at Chelmsford station
- 5.5.5. Reduced congestion in Chelmsford city centre at peak times (weekday and weekends)
- 5.5.6. Improved access to the rail network for residents and businesses in the Heart of Essex not well served by rail; and
- 5.5.7. Improved network resilience and reliability for train services using the Great Eastern Main Line.

6. Options Considered

6.1. Three mains options were considered to tackle the challenges raised under section 4. These options include:

- 6.1.1. A 3 platform Railway Station with turn-back and loop facilities (preferred option);
- 6.1.2. Enhancements to Chelmsford Station with additional station capacity, alongside business rapid transit, walking and cycling improvements to Chelmsford station.
- 6.1.3. Increased frequency and quality of buses between Chelmsford and Beaulieu only. This option has been used as the 'do minimum' option within the economic appraisal, but is not an option supported by local partners.

6.2. The new railway station has been identified as the preferred option to deliver the scale of growth planned in North Chelmsford.

6.3. The new station has been included within the Adopted Chelmsford Local Plan and New Chelmsford Local Plan (currently subject to Examination), which has been widely consulted on.

6.4. Further public consultation and engagement is expected as part of the detailed planning application for the Project. The public and stakeholder feedback received through this consultation will be considered through the further development of the Project.

7. Delivery and risk

7.1. Given the scale and complexity of the Project it is intended that Network Rail will deliver the whole Project on behalf of Essex County Council.

- 7.2. Network Rail's GRIP process governs how risks associated with the station design and construction are identified, mitigated or removed, and re-evaluated at each GRIP stage. A Quantified Risk Assessment will be developed at GRIP Stage 3 which is then re-assessed and updated at each subsequent stage.
- 7.3. Based on the GRIP Stage 2 Risk Register, included In the Business Case, no risks have been identified as high likelihood and high impact of materialising.
- 7.4. The completion of the Project is not expected until 2025. This coincides with the end of the current franchise, which is currently operated by Abellio Greater Anglia. As such, the station will need to be included in the new franchise from October 2025 onwards for trains to serve the new station.

8. Project Cost and Funding

- 8.1. The total cost of the Project has been based on a GRIP Stage 2 cost estimate which ranges between £154m and £157m, including risk and inflation costs.
- 8.2. In addition to the £12m LGF allocation, the Project also has a contribution from developers Countryside Zest, secured through a S106 agreement. To date the developer has funded the GRIP Stage 2 development, with the remaining developer contribution towards the Project's delivery now totalling £20.350m.
- 8.3. The Project also forms part of a wider HIF bid to MHCLG for infrastructure to support growth in Chelmsford. The bid will include a HIF ask to bridge the gap in funding required to deliver the Project. The Project has passed an initial expression of interest stage and a Business Case will now be submitted to MHCLG on the 22nd March 2019, seeking £124.67m towards the delivery of the Project. The outcome of this process is expected to be determined in May 2019.
- 8.4. The allocation of LGF to the Project is likely to increase the chances of HIF being successfully awarded. The HIF business case process includes questions on whether bidders have the support of Local Enterprise Partnerships and how the projects contribute to the economic growth goals of the locality and region, beyond just housing.
- 8.5. As the Project is not due to complete until Q4 2025, only £2.73m of the total £12m LGF allocation can be spent within the Growth Deal period.
- 8.6. Under agenda item 5, the Board is asked to consider its position in terms of whether it is acceptable to spend the LGF contributions beyond the Growth Deal period. As such the decision making as part of this report is interlinked with Agenda Item 5.

Table 1 Funding available for Beaulieu Railway Station (£m)

	18/19	19/20	20/21	21/22	22/23	23/24	Future Years	Total
LGF	0	0	2.73	1.31	7.96	0	0	
Developer Contributions	1.3	1.3	0.32	1.25	4.63	4.62	6.93	20
ECC revenue funding	0	0	0	0	0	0	0.05	0
HIF(TBC)	0	0	0	0.85	4.98	34.91	83.93	124
Total	1.3	1.3	3.05	3.41	17.57	39.53	90.91	157

9. Value for Money and outcome of ITE Review

- 9.1. The Value for Money assessment has been completed for the Project, to consider the transport benefits of delivering the Project, such as the benefits of improving journey time. This assessment has been calculated following a robust approach based on Department for Transport (DfT) WebTAG guidance. The initial Benefit Cost Ratio (BCR) based on this assessment approach is 1.16:1. Anything with a BCR of 1.0 to 1:5 is categorised as low value for money by the DfT, accordingly this Project falls within that remit.
- 9.2. The economic appraisal gives consideration to factors such as the dis-benefit to rail passengers travelling through Beaulieu Park, as the new station will create an additional stopping point and increase the journey time for passengers that are not using Beaulieu Park. Given the considerable number of passengers that use the GEML this reduces the net economic benefits which are expected to occur as a result of the Project.
- 9.3. An adjusted BCR value is also included in the Business Case. This considers the wider economic benefits of the Project and increases the BCR to 1.79, which would place it within the remit of being considered medium value for money. However, the ITE has raised concerns that the inclusion of wider economic benefits within the BCR for LGF will double count the land value uplift benefits which will be considered as part of the HIF bid.
- 9.4. The HIF bid which is being submitted to MHCLG will calculate the BCR value based on the land value uplift relative to the HIF funding contribution which is being sought. As such, the inclusion of these benefits within the Business Case for LGF will double count these benefits. As such, the ITE has raised concerns as to the robustness and reliability of the assessment of the wider benefits and the adjusted BCR.

- 9.5. Given the requirement, under the SELEP Assurance Framework, for projects to demonstrate BCR values of at least 2.0:1, the Project does not meet this requirement. However, the Project can be considered under Value for Money Exemption 2 of the Assurance Framework.
- 9.6. Exemption 2 may be applied where a project does not demonstrate a High Value for Money (a Benefit Cost Ratio of over 2:1), but has a Benefit Cost Ratio of over 1:1, and only if the following conditions are satisfied:
- (a) there is an overwhelming strategic case that supports the prioritisation of this project in advance of other unfunded investment opportunities identified in the SEP; and
 - (b) there is demonstrable additionality which will be achieved through investment to address a clear market failure; and
 - (c) there are no project risks identified as high risk and high probability after mitigation measures have been considered; and
 - (d) there are assurances provided from the organisations identified below that the project business case, including value for money, has been considered and approved for funding through their own assurance processes.
 - (1) A Government Department;
 - (2) Highways England;
 - (3) Network Rail;
 - (4) Environment Agency; or
 - (5) Skills Funding Agency.
- 9.7. The Project can be considered by the Board under the Exemption on the basis that the Project will also be assessed by MHCLG for HIF. If the Project is supported for a HIF award through MHCLG's assurance processes then the Project can also be supported by SELEP, on the basis that the Board is satisfied that:
- 9.7.1. An overwhelming strategic case has been made which supports the prioritisation of this project in advance of alternative investment opportunities;
 - 9.7.2. The level growth which will be unlocked through the delivery of this Projects demonstrates additionality which can be achieved through public sector investment in this Project; and
 - 9.7.3. There are no high probability risks identified which cannot be mitigated.
- 9.8. Accordingly, in order to rely upon the exemption conditions, the Board will want to see evidence from MHCLG that they have successfully approved the Project, and made a sufficient award allocation that will bridge the gap funding.

10. Recommendations to the Board

- 10.1. As a result of the low BCR value, the uncertainty around the HIF allocation to the Project and the planned spend of LGF beyond the Growth Deal, several options are presented to the Board for consideration.
- 10.2. **Option 1** - Approve the award of the full £12m LGF allocation to the Project, subject to:
 - 10.2.1.1. A Value for Money review being completed for the overall Project by the Ministry for Housing Communities and Local Government (MHCLG), as part of the Housing Infrastructure Fund (HIF), that meets the requirements of the value for money exemption 2 of the SELEP Assurance Framework; and
 - 10.2.1.2. Receipt of evidence from MHCLG that they have approved the award of sufficient funding through its Housing Infrastructure Fund (HIF), to bridge the Project funding gap; and
 - 10.2.1.3. Board agreement, under Agenda Item 5, that planned LGF spend beyond 31st March 2021 is permissible; and
 - 10.2.1.4. Endorsement from the SELEP Strategic Board that the LGF can be retained against the Project beyond 31st March 2021.
- 10.3. The award of the full LGF allocation to the Project, subject to the conditions listed above, will support this strategically important Project, but will result in £9.27m LGF slippage beyond 31st March 2021.
- 10.4. Under Options 1 and 2, if LGF is awarded by the Board, but the Project is unable to progress due to the HIF contribution not materialising, then it is expected that the LGF will be returned to the central LGF unallocated pot.
- 10.5. **Option 2** - Approve the award of the £2.73m LGF allocation to the Project only, subject to:
 - 10.5.1. A Value for Money review being completed for the overall Project by the Ministry for Housing Communities and Local Government (MHCLG), as part of the Housing Infrastructure Fund (HIF), that meets the requirements of the value for money exemption 2 of the SELEP Assurance Framework; and
 - 10.5.2. Receipt of evidence from MHCLG that they have approved the award of sufficient funding through its Housing Infrastructure Fund (HIF), to bridge the Project funding gap
- 10.6. This Project would demonstrate SELEPs support for the Project through the award of the £2.7m3 LGF which can be spent within the Growth Deal.
- 10.7. The remaining £9.27m LGF to be reinvested through the LGF3b prioritisation process to an alternative project which can spend the grant within the Growth Deal and presents higher value for money.

- 10.8. The award of only part of the provisional funding allocation could weaken the case for HIF investment in the Project, however, the LGF is only a small contribution to the overall Project cost.
- 10.9. **Option 3** - Reallocate the £12m provisional allocation to the Project through the LGF3b process given the low BCR value and the substantial LGF spend beyond 31st March 2021.
- 10.10 As LEP support will be considered by MHCLG in assessing the strength of the HIF bid, there is the potential that the reallocation of the £12m may negatively impact on the bid. However, the reallocation of the £12m will enable spend of the LGF by 31st March 2021 on emerging priorities, as identified through LGF3b prioritisation process.
- 10.11 In addition, there may be alternative projects which can demonstrate higher value for money. Although the scale of benefits to be achieved through the LGF3b projects may not be as substantial as the magnitude of Project benefits detailed in sections 4 and 5 above.
- 10.12 The allocation of LGF to the Project is likely to increase the chances of HIF being successfully awarded. The HIF business case process includes questions on whether bidders have the support of Local Enterprise Partnerships and how the projects contribute to the economic growth goals of the locality and region, beyond just housing.

11. Project Compliance with SELEP Assurance Framework

- 11.1. Table 2 below considers the assessment of the Business Case against the requirements of the SELEP Assurance Framework. The assessment confirms the compliance of the Project with SELEP's Assurance Framework, subject to confirmation from the MHCLG that the Project meets the value for money requirements under exemption 2b in the SELEP Assurance Framework, as set out in section 7 above.

Table 2 Assessment of the Project against the requirements of the SELEP Assurance Framework

Requirement of the Assurance Framework to approve the project	Compliance (RAG Rating)	Evidence in the Business Case
A clear rationale for the interventions linked with the strategic objectives identified in	Green	The Business Case identifies the current problems and why the scheme is needed now. The objectives presented align with

Requirement of the Assurance Framework to approve the project	Compliance (RAG Rating)	Evidence in the Business Case
the Strategic Economic Plan		the objectives identified in the Strategic Economic Plan.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account	Green	The expected project outputs and outcomes are set out in the Business Case and detailed in the economic case. The Department for Transport's WebTAG appraisal guidance has been used to calculate the economic benefits of the Project.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)	Green	A detailed risk register has been developed for the Project and a Quantified Risk Register will be completed at the end of GRIP Stage 3. In the absence of a Quantified Risk Register a 40% contingency has been applied to the total project cost.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions	Amber /Red	The initial BCR for the Project is low at 1.16:1. Whilst the adjusted BCR increases to 1.79, there is uncertainty as to the robustness of this value, as detailed in Section 7. However, the Project may be considered under Exemption 2b based on the conditions set out in Section 7 above.

12. Financial Implications (Accountable Body comments)

- 12.1. All funding allocations that have been agreed by the Board are dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2018/19 have been confirmed however funding for future years is indicative. It should be noted that Government has made future funding allocations contingent on full compliance with the updated National Assurance Framework. Allocations for 2019/20 are also contingent on the Annual Performance Review of SELEPs LGF programme by Government, the

outcome of which is expected in March 2019.

- 12.2. There is a high level of forecast slippage within the overall programme which totals £43.3m in 2018/19; this presents a programme delivery risk due to the increased 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 aligned to the funding profile. This risk, however, is offset in part by the recognition that the profile of the LGF allocations did not consider the required spend profile when determined by HM Government.
- 12.3. Approval by the Board of the full £12m of LGF will exacerbate the slippage in spend and delivery in the Programme due to the spend profile extending significantly beyond the end of the Growth Deal.
- 12.4. There is an SLA in place with the sponsoring authority, Essex County Council, which makes clear that future years funding can only be made available when HM Government has transferred LGF to the Accountable Body. Should the Board approve spend beyond the Growth Deal period, a separate agreement is expected to be required to enable the spend beyond the 31st March 2021.

13. Legal Implications (Accountable Body comments)

13.1 The Board will need to be mindful that the decisions sought within this report are on the premise of future decisions and approvals being secured in the future outside of the SELEP control. Failure to achieve those requirements will mean that the Boards decision will cease to take effect, which will have an impact on the Project and the LGF allocation.

14. Equality and Diversity implication

- 14.1. 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 the 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 it is possible to identify mitigating factors where an impact against any of the protected characteristics has been identified.

15. List of Appendices

- 15.1. Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 6).

16. List of Background Papers

- 16.1. Business Case for the Beaulieu Railway Station

(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, S151 Officer, Essex County Council)	07/02/19