

<b>Report title:</b> M11 Junction 8	
<b>Report to Accountability Board on 20 November 2020</b>	
<b>Report author:</b> Howard Davies, SELEP Capital Programme Officer	
<b>Date:</b> 26/10/2020	<b>For:</b> Decision
<b>Enquiries to:</b> Howard Davies, <a href="mailto:howard.davies@southeastlep.com">howard.davies@southeastlep.com</a>	
<b>SELEP Partner Authority affected:</b> Essex	

## 1. Purpose of Report

- 1.1 The purpose of this report is for the Accountability Board (the Board) to receive an update on the delivery of the M11 Junction 8 project (the Project), Essex.

## 2. Recommendations

- 2.1 The Board is asked to agree:

2.1.1 **Agree** that written confirmation must be provided by Essex County Council to SELEP Accountable Body, by 12 February 2021, to confirm the funding package is in place for the Project, to enable the release of the remaining £0.495m LGF to Essex County Council for the delivery of the Project beyond 31 March 2021.

2.1.2 **Agree** that if written confirmation is not provided by Essex County Council as stated in 2.1.1 then the remaining £0.495 LGF will be reallocated to the LGF pipeline.

2.1.3 **Agree** that if written confirmation is not provided by Essex County Council as stated in 2.1.1 there is compelling justification for SELEP Accountable Body not to recover the £2.239m LGF spent on the Project to date, subject to the LGF spend to date on the Project continuing to meet the LGF grant conditions for capital expenditure.

## 3. Background

- 3.1 The Project was approved in November 2017 for the award of £2.734m LGF but is identified as a high-risk project, due to the risk to other funding contributions to the project and increasing costs attributed to the works packages.
- 3.2 The original report to the Board, in November 2017, indicated the funding breakdown, as shown in Table 1.
- 3.3 A funding contribution was also being sought from Stansted Airport (Manchester Airport Group) at the point of the funding decision being sought

however, they were not in a position to confirm this funding at the time of the original LGF bid.

**Table 1 Original Project Funding Breakdown (£m)**

<b>Funding Source</b>	<b>Amount (£m)</b>
SELEP LGF	2.734
The Cambridge and Peterborough Business Board (CPBB) (formerly Greater Cambridge Greater Peterborough LEP)	1.000
Essex County Council	0.914
Department of Transport (National Productivity Investment Fund)	4.087
Housing developers	0.321
<b>Total</b>	<b>9.056</b>

3.4 In September 2020, the Board were made aware of issues relating to the funding package for the Project. The update highlighted that there was a funding gap of approximately £7m, due to the increase in tender cost for the project and a possible reduction in other funding sources. To date £2.239m LGF has been spent on the delivery of the Project, relative to a total allocation of £2.734m, leaving £0.495m unspent.

#### **4. Project delivery update**

4.1 LGF spend on the Project has been placed on hold whilst Essex County Council (ECC) seek to address the funding gap. For the Board to remove the hold on LGF project spend and transfer the remaining LGF allocation for the project by the end of 2020/21, the Board will require firm confirmation that the full funding package is in place to deliver the Project.

4.2 Options are being considered by ECC to bridge the funding gap. This includes looking to reduce the total project cost through seeking invitations to tender for the Project through a new procurement framework and options to increase the funding contributions to the Project.

#### Reducing the project cost through revised procurement exercise

4.3 The total cost of the project has increased since the business case was approved for the project in November 2017, by up to £6.029m. The original project cost stated in the business case was £9.056m, whilst the mid-price tender cost from the procurement exercise in early 2020 was identified as £15.085m.

4.4 The previous tender process was completed at the height of the first wave in the COVID-19 pandemic. As such, it is ECC's view that the tender prices were inflated to reflect the increased risk at that time.

- 4.5 It is ECC's intention to repeat the tender exercise using the newly created Eastern Highways Alliance Framework 3 (EHA3) framework to encourage a more competitive procurement process. The timescales for the procurement exercise are set out in Table 2 below.

**Table 2 – Proposed Project timeline**

<b>Task</b>	<b>Date</b>
Invitation to Tender (8 weeks) *	January 2021
Tender returned and assessed	March 2021
Start of Works	May 2021
Works complete	November 2022

\*Note: re-tender process cannot start earlier than this due to the need to resolve Highway England sign offs and organise road space bookings for the scheme.

Options to increase funding contributions to the Project

- 4.6. Verbal confirmation has been received from Manchester Airport Group that they are prepared to contribute circa £1m towards the scheme and they continue to support the project. Written confirmation is being sought.
- 4.7. The Cambridge and Peterborough Business Board have confirmed that they still regard the project as a priority going forward, however, they are unable to confirm their funding allocation, £1m, as they are currently looking at their priorities. They have not ruled out supporting the scheme and maybe able to with future funding streams but their current Growth Deal to March 2021 is committed.
- 4.8. ECC are seeking an additional £1m LGF contribution through the LGF pipeline development process. The Project will be considered by the SELEP Strategic Board on the 11 December 2020, as part of the prioritisation exercise. If the Project is successfully allocated additional LGF, the funding decision will be considered by the Board in February 2021.
- 4.9. ECC are also exploring opportunities to increase their funding contribution to the project. This option is currently being considered through ECC's internal governance processes.
- 4.10. It is understood that should the new tender process produce a similar price return as previously, £15.085m, ECC will seek to fund the remaining £6.646m funding gap through their own capital programme, as set out in Table 3.

**Table 3 – Revised Funding Profile, prior to new tender process**

Revised Funding Profile (£m)						
Source	Spend to end of 2019/20	2020/21	2021/22	2022/23	2023/24	Total
Manchester Airports Group	0.000			1.019		<b>1.019</b>
DfT (NPIF)	0.138		2.882	0.667		<b>3.687</b>
LGF	2.239	0.050	0.445			<b>2.734</b>
ECC	0.862			5.178	0.605	<b>6.645</b>
Additional LGF*	0.000			1.000		<b>1.000</b>
<b>Total</b>	<b>3.239</b>	<b>0.050</b>	<b>3.327</b>	<b>7.864</b>	<b>0.605</b>	<b>15.085</b>
*(subject to Success Essex prioritisation and SELEP Board approval)						

## 5. Value for money

- 5.1 As a result of the project cost increases it is expected that the value for money for the project has reduced.
- 5.2 The benefit cost ratio (BCR) previous calculated for the project was 3.32, which presents high value for money but the increase in project cost is likely to have reduced this ratio.
- 5.3 If the project is successfully allocated an additional £1m LGF by the Strategic Board in December 2020 an updated business case will need to be prepared to confirm that the project continues to present high value for money.

## 6. Next steps

- 6.1 SELEP must be in a position to demonstrate to Government that the funding is contractually committed and can be spent on the new project by the end of 2020/21. As such, the Board is asked to agree that written confirmation must be provided by Essex County Council to the Board by February 2021, to confirm the funding package is in place for the Project, to enable the release of the remaining £0.495m LGF to Essex County Council for the delivery of the Project beyond the Growth Deal. The £0.495m unspent LGF would be reallocated to the LGF project pipeline.
- 6.2 If the deadline is not met and the remaining £0.495m unspent LGF is withdrawn from the Project in February 2021, it is still expected that the Project will proceed and be funded through alternative funding pipelines as the Project remains essential to growth plans in the surrounding area.

6.3 ECC have provided confirmation that the LGF spend to date remains a capital cost and the Project would still progress to delivery using other funding sources. As such, in the event that the £0.495m LGF is withdrawn by the Board, it is not recommended that the £2.239m LGF should be recovered, as long as ECC continue to report that the spend of the grant to date meet the conditions for capital expenditure.

6.4 Updates will be sought from Essex County Council at the end of each financial year, until the point of project completion, to ensure that the LGF spend to date remains a capital cost, in line with the grant conditions

## **7. Financial Implications (Accountable Body comments)**

7.1 In considering the recommendations of this report, the Board is advised to assess the risk of a further delay in spend of LGF in ensuring best use of funding and securing value for money in the use of the grant.

7.2 As part of the LGF programme review to Central Government in June 2020, the Accountable Body and SELEP reported spend in full of the LGF programme by 31 March 2020, either through deliverability of the projects or using the Option 4 Capital swap mechanism (see Agenda item 5 for further details). As this project will be delivered post March 2021, the option 4 Capital swap approach will be applicable.

7.3 To progress with the Project and to enable an option 4 swap to be agreed in February 2021, it is expected that confirmation is provided that a full funding package is in place and that the outstanding planning issues have been resolved.

7.4 Delivery of the Growth Deal forms part of the Annual Performance Review (APR) assessment undertaken by Government in advance of confirming the annual LGF funding allocations. The slippage experienced by this Project detrimentally impacts on this delivery assessment, placing a risk over the outcome of this APR.

7.5 It should be noted that delivery of this project beyond the Growth Deal in March 2021 is subject to meeting the five conditions agreed by the Board on 15 February 2019, including obtaining endorsement from the Strategic Board. The risk of delays in the delivery of this Project increase the risks associated with the overall Project completion within the Growth Deal period.

7.6 Essex County Council, as the Accountable Body for SELEP, is responsible for ensuring that the LGF funding is utilised in accordance with the conditions set out by Government for use of the Grant.

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

8.1 There are no legal implications arising from this report.

## **9. Equality and Diversity implication**

- 9.1 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.
- 9.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 9.3 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.

## **10. List of Appendices**

- 10.1 Appendix A – Background of Project M11 J8

## **11. List of Background Papers**

- 11.1 Business Case for the M11 J8

**(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>	
Peter Shakespear (On behalf of Nicole Wood, S151 Officer, Essex County Council)	11.11.2020