

Report to Accountability Board	Forward Plan reference number: FP/AB/95
Date of Accountability Board Meeting:	26th May 2017
Date of report:	4th May 2017
Title of report:	Ashford Spurs LGF funding decision
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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 the Ashford International Rail Connectivity Project - Ashford Spurs which has been through the Independent Technical Evaluator (ITE) process to enable £4.173m 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 remaining £4.173m LGF allocation to Ashford International Rail Connectivity 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 medium certainty of achieving this.

3. Background

- 3.1 This report brings forward the Ashford International Rail Connectivity Project (the Project) for the remaining £4.173m LGF allocation to this Project.
- 3.2 On the 16th September 2016, the Board approved an initial LGF allocation of £5.627m to the Project. This funding decision was based on an Outline Business Case and comprised of a £5m LGF Round 2 allocation to the Project and a £627,000 over-profiling of Kent County Council's LGF programme, in advance of a LGF Round 3 being allocated by Government.
- 3.3 In February 2017, the Project was awarded an additional £4.8m LGF through LGF Round 3, increasing the Project's total LGF allocation to £9.8m.
- 3.4 The total funding profile is set out in Table 1 below, as set out in the Business Case.

Table 1 Ashford International Rail Connectivity Funding Profile*

Funding Sources (£)	
	Total
LGF 2	5,000,000
LGF 3	4,800,000
Kent County Council & Partners	96,949
EU RoCK project*	23,051
Network Rail	580,000
Total Funding	10,500,000
*EU-funded project	

- 3.5 The initial funding award by the Board of £5.627m has enabled Kent County Council to progress the Project through Network Rail's project development phases, namely GRIP Stage 3b to 5.
- 3.6 A Full Business Case has now been developed for the Project to support the funding ask for the remaining £4.173m LGF allocation.
- 3.7 Whilst this funding allocation has not yet been fully spent, the approval of the remaining £4.173m LGF allocation to the Project at this stage will enable the Project to progress quickly once Network Rail's GRIP Stage 5 has been completed.
- 3.8 The award of the remaining £4.173m LGF allocation will enable Kent County Council to enter into a legal agreement with Network Rail for the completion of GRIP 6, 7 and 8 for Project delivery.

- 3.9 Whilst Kent County Council are the promoting authority for the Project, alongside Ashford Borough Council, the Project will be delivered by Network Rail. Network Rail will also own the signalling infrastructure delivered through the completion of the Project.
- 3.10 The Project has successfully completed the ITE process, as a condition of the SELEP Assurance Framework.
- 3.11 The ITE report sets out the detailed analysis of the Project. The ITE report is included in Appendix 1, of Agenda Item 5.

4. Ashford International Rail Connectivity Project – Ashford Spurs

- 4.1 The plans of Eurostar International Ltd (referred to herein as ‘Eurostar’) to introduce new Eurostar trains have raised concerns about the future international connectivity of Ashford.
- 4.2 The existing rail signalling infrastructure at Ashford International Railway Station is currently incompatible with the new international trains set to be introduced.
- 4.3 The Project will upgrade the signalling system at Ashford International Railway Station, and will take forward the vehicle change and compatibility process to ensure the retention of international rail services to Ashford. In doing so, the project is expected to deliver the following outcomes:
- safeguard approximately 1,000 jobs in Ashford which have been located in the town to benefit from its international rail services
 - stimulate the creation of additional jobs by encouraging business location and expansion decisions based on the existence and future guarantee of the international rail service
 - stimulate housing growth aligned with the increase in employment opportunities
 - support the creation of a further education hub adjacent to the international station with courses which attract students from other European countries
 - support further economic growth in Ashford and in the wider East Kent region in line with regional planning objectives
 - indirectly help to create a town in which people want to live, work and participate in business activity
 - maintain and promote further modal shift from road or air to rail transport, providing environmental benefits and a reduction in congestion
 - continue to deliver international rail services from Ashford International for an estimated 195,000 passengers per year
- 4.4 Without the delivery of the Project, international rail services will no longer be able to serve the station, with adverse consequences for the local economy, employers, employees and residents.

4.5 The delivery of the upgrading signalling system will enable Eurostar and any future international rail operator to service Ashford International Railway Station.

4.6 Prior to 2016 timetable changes, Eurostar operated the following rail services during a typical week in the Summer:

- 41 services to and from Paris
- 14 services to and from Brussels
- 14 services to and from Disneyland; and
- 10 services to and from Marseilles*

*During the winter period the services to and from Marseilles are reduced to 2 each week, but the winter ski service operates 4 trains to and from Bourg-St-Maurice.

4.7 Once the Project is delivered, Eurostar commits to continue with the level of service which they were operating prior to the 2016 timetable changes.

4.8 Whilst Eurostar is currently the only operator to operate international passenger rail services from Ashford International Railway Station, as the High Speed 1 line is an 'Open Access' route, this enables other companies to operate international rail services utilising the HS1 route to and from the continent.

4.9 The term Open Access refers to the ability for different rail service operators to operate services utilising the same section of rail track.

5. Ashford International Railway Station Operational Risk

5.1 Through discussions with the Department for Transport (DfT) a key risk has been highlighted in relation to the investment of LGF in this Project.

5.2 A letter was received from the DfT, dated the 30th March 2017, which sets out this risk. A copy of the letter is made available in Appendix 2 of this report. The DfT have highlighted that it is extremely rare for the public sector to fund rail upgrades which will only be used by open access rail operators. The use of significant public investment does not guarantee that the upgraded infrastructure will be used in the long term, by operators'.

5.3 Kent County Council have sought written assurances from Eurostar that should the necessary infrastructure be put in place, then Eurostar will continue to operate international rail services from Ashford International Railway Station.

5.4 A letter was received dated 3rd March 2017, by Kent County Council from Eurostar Chief Executive. This letter sets out Eurostar's intention to continue serving Ashford International Railway Station once the Project is complete. It confirms that Eurostar intends to use their e320 rolling stock through Ashford, and will look to reinstate the level of services to Paris, whilst continuing to operate between Ashford and Brussels, Disneyland Paris and the French Alps.

- 5.5 Eurostars commitment to the continued use of Ashford, is further seen by the new Track Access Agreement with Network Rail for use of Ashford International Station for a further 5 years from December 2017. This, Eurostar claims, demonstrates their longer term commitment to the running of service from Ashford.
- 5.6 Whilst there is evidence of close partnership working between Kent County Council, Eurostar and other project delivery partners, the letter from Eurostar is not legally binding. The DfT have confirmed in their letter that they hold no ability to compel Eurostar to serve Ashford International Railway Station.
- 5.7 Kent County Council is aware of this risk, which it has been working with partners to manage and reduce the likelihood of this risk materialising. However, it is Kent County Council's view that no further assurances can be provided from Eurostar at this time, above those stated in the letter from Eurostar.
- 5.8 It is intended that this risk will be managed through Kent County Council's established internal LGF project Governance arrangements.
- 5.9 The value for money case for LGF investment in the project is, however, dependent upon Eurostar services continuing to operate from Ashford International. If Eurostar do not continue to operate services from Ashford International once the new infrastructure is in place then no benefits will be delivered through the Project, unless an alternative operator were inclined to utilise this infrastructure to operate international rail services from Ashford International Railway Station.
- 5.10 The Board is therefore asked to note and consider this project risk in relation to the decision making for the award of the remaining £4.173m LGF allocation to this Project.

6. Outcome of ITE Review

- 6.1 The SELEP ITE has assessed the Project Business Case through the Gate 5 process, for the review of a Full Business Case, and has recommended that the project achieves high value for money with a medium certainty of achieving this.
- 6.2 The Business Case highlights that there is low, but present risk that if Eurostar do not continue to operate services from Ashford International once the infrastructure is in place, as outlined in Section 5 above, this would have a significant downward impact on the value for money of the Project, as no benefits will be delivered if Eurostar do not service the stations once the Project is delivered. For this reason there remains some residual uncertainty around the Projects value for money.
- 6.3 Whilst no immediate benefits would be achieved if Eurostar did not continue to service Ashford International, the delivery of the Project and the management

of the HS1 route as 'Open Access' creates the opportunity for future alternative operators to operate from Ashford International Railway Station.

- 6.4 The Board is asked to consider the risk presented that Eurostar may not use the infrastructure once the necessary signalling infrastructure is in place, before determining whether or not to approve the award of the remaining LGF allocation to this Project.

7. Compliance with SELEP Assurance Framework

- 7.1 Table 1 below considers the SELEP Secretariat assessment of the Business Case against the requirements of the SELEP Assurance Framework.

- 7.2 The assessment confirms the compliance of the project with SELEP's Assurance Framework.

Table 1 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 described in the Business Case align with national, sub-regional and local planning objectives.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account		<p>The Business Case sets out the expected outputs and outcomes, as identified in Section 4.3 of the report above.</p> <p>The ITE review confirms that 'Green Book' principles have been adhered to in the Value for Money assessment.</p>
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)		The ITE review confirms that the Business Case sets out a detailed programme and governance structure for delivering the Project. A comprehensive risk register is also included within the business case.
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for		A BCR has been calculated as 2.27:1, which indicates high value for money.

Money exemptions		
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8. Financial Implications (Accountable Body Comments)

- 8.1 The value for money for this Project has been assessed over a 35 year period with a BCR which indicates high value for money; this assessment will, however, be at risk should services not continue beyond the expected 5 year period. It is advised that should the funding be approved, the implications of this risk are monitored throughout the implementation of the Project and updates provided to the board should there be detrimental changes to the BCR assessment.
- 8.2 There is an approved over-programming of the total LGF allocation in 2017/18 of just over £3m which places a risk on the total available funding required to deliver projects in this year. However, as this risk forms part of the active management of the LGF capital programme, sufficient funding is expected to be available to fund the planned spend in this financial year requested for the Project.
- 8.3 It should be noted that whilst future year grant payments from Government haven't been confirmed, funding for this Project are included in the indicative LGF programme allocations provided by Government for future years.
- 8.4 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.

9. Legal Implications (Accountable Body Comments)

- 9.1 There is uncertainty around the benefits being realised should LGF be allocated to this Project. Eurostar have confirmed their commitment to using Ashford following significant investment in its infrastructure to ensure that the station is usable going forward. However, their commitment is not legally binding, and there is no intention for there to be an agreement to this effect in place. There is a 5 year Agreement with Network Rail, which allows for Eurostar's continued use of Ashford and its Infrastructure. However, SELEP are not privy to that Agreement, and therefore does not know whether it requires Eurostar to use the station or whether it simply provides that they can, should they choose to do so.

10. Staffing and other resource implications (Accountable Body Comments)

- 10.1 None at present.

11. Equality and Diversity implication

- 11.1 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.
- 11.2 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 where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

12. List of Appendices

- 12.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).
- 12.2 Appendix 2 – Department for Transport letter dated 30th March 2017

13. List of Background Papers

- Business Case for Ashford International Rail Connectivity (Ashford Spurs)

(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	
Lorna Norris	18.05.17
(On behalf of Margaret Lee)	