

Forward Plan reference number: FP/AB/218

Report title: A127 Network Resilience Project Change Request	
Report to Accountability Board on 7th June 2019	
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Date: 13 th May 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 Change Request which has been submitted by Essex County Council (ECC) for the A127 Network Resilience project (the Project).
- 1.2 The Project has been awarded £4m Local Growth Fund (LGF), with ECC originally due to contribute £4.35m towards the delivery of the Project.
- 1.3 A Change Request has been submitted by ECC to SELEP, for approval by the Board. The Change Request, detailed in this report, sets out the proposed changes of scope to the Project. This will result in improvements to one of three junctions no longer being delivered. In doing so, this will deliver a saving to ECC, as necessitated through the review of the ECC capital programme, but will reduce the benefits delivered as a result of the Project.

2. Recommendations

- 2.1. The Board is asked to:
 - 2.1.1. **Agree** the change of the total cost and scope of the Project, as detailed in the report

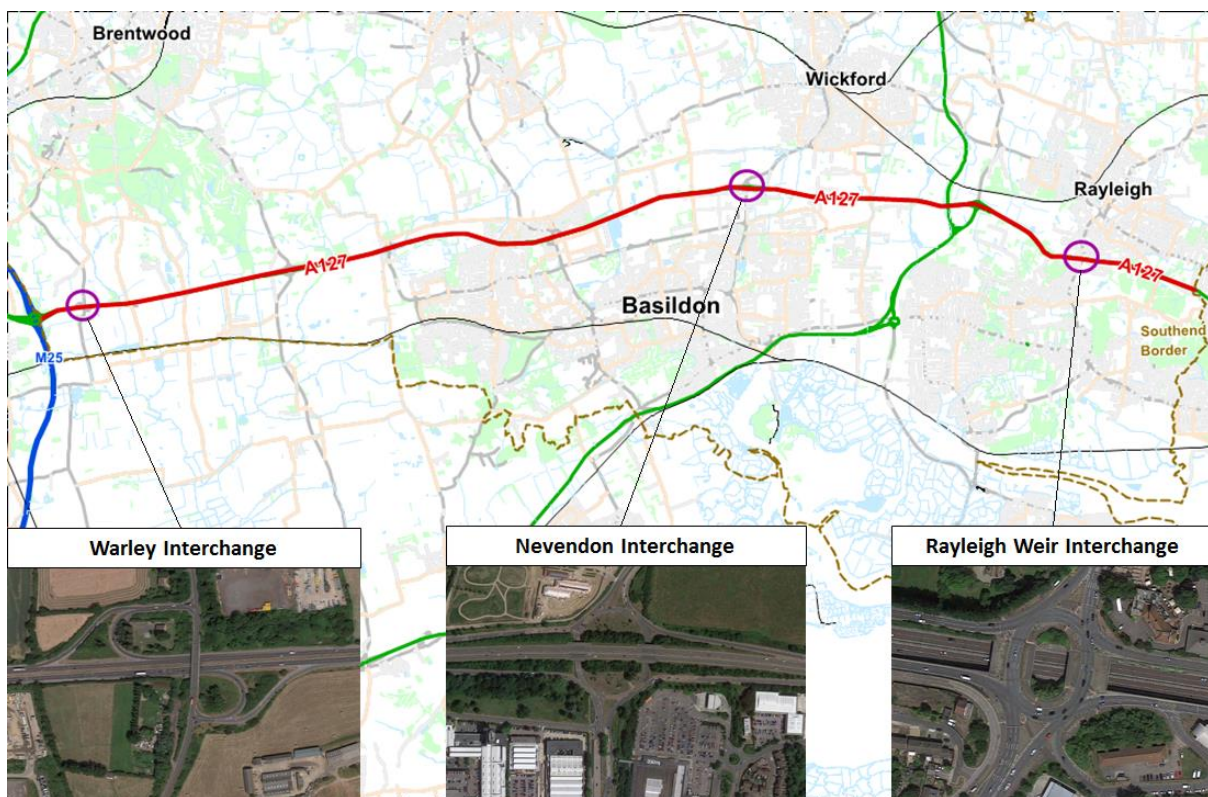
3. Background

- 3.1. The Project was awarded £4m LGF by the SELEP Strategic Board in June 2015. This funding decision was made prior to the Accountability Board having been formally established.
- 3.2. The Project is also identified as a Department for Transport (DfT) 'retained' scheme. For this specific Project, whilst the Business Case and original funding decision was made by SELEP, project update reporting is also provided directly to the DfT for this and five other 'retained' transport projects in the Growth Deal programme.
- 3.3. At the time of the funding award being made by the Strategic Board it was intended that the Project scope would involve the delivery of directional and

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telematic signage improvements, as well as improvements to three junctions along the A127, including:

- 3.3.1. **Nevendon Interchange (A127/A132)** – capacity improvements to the grade separated junction;
- 3.3.2. **Rayleigh Weir Interchange (A127/A129)** – traffic signal upgrade and linkage through Spilt Cycle Offset Optimisation Technique (SCOOT) to prevent vehicles backing up onto the A127; and
- 3.3.3. **Warley Interchange (A127/ B186)** – installation of signals on slip roads, slip road widening, speed limit reduction and improvements to pedestrian footways.



- 3.4. The overall objectives of the Project were to:

- 3.4.1. To support housing and job growth;
- 3.4.2. To support current and emerging Local Development Plans;
- 3.4.3. To make best use of the existing highway network;
- 3.4.4. To reduce congestion at key pinch-points on the network;
- 3.4.5. To improve resilience of the corridor; and
- 3.4.6. To improve journey time reliability

- 3.5. The A127 is a strategic route from London to Southend, which also connects to the M25 and A13. As such, the route provides a major link for ports and airports, such as the London Southend Airport, and provides access to areas of substantial development and economic growth potential.

4. A127 Network Resilience Delivery to Date

- 4.1. To date, ECC has delivered two of the three planned junction interventions outlined within the Project Business Case, with works at the Nevendon Interchange and the Rayleigh Weir Interchange completed as detailed.
 - 4.1.1. Nevendon Interchange improvements included:
 - 4.1.1.1. widening the circulatory carriageway to three lanes on the roundabout under the A127;
 - 4.1.1.2. lengthening the north bound merging lanes towards Wickford;
 - 4.1.1.3. closing the access onto the A132 north bound from Christopher Martin Road to remove traffic that previously blocked the northbound traffic flow; and
 - 4.1.1.4. upgrading of the signals on the roundabout to provide optimised capacity during peak periods.
 - 4.1.2. Rayleigh Weir Interchange improvements included:
 - 4.1.2.1. upgrading the traffic signals at both Stadium Way and at Rayleigh Weir; and
 - 4.1.2.2. linking the two sets of traffic signals with the installation of Split Cycle Offset Optimisation Technique (SCOOT).
- 4.2. In addition, the planned improvements to the Strategic Directional Signing and installation of additional variable message signs (VMS) have been completed.
- 4.3. At the request of DfT, the £4m LGF spend was accelerated on the delivery of the first two aspects of the Project and was fully spent by the end of 2016/17.

5. A127 Network Resilience – Change in Project scope

- 5.1. The third element of the Project, which is yet to be delivered, is the improvements to the Warley Interchange. According to the original Project Business Case, the improvements to the Warley Interchange would include:
 - 5.1.1. installation of traffic signals at the junction, alongside installation of queue detectors on the slip roads to reduce the risk of traffic backing up along the A127;
 - 5.1.2. widening the junction exit slips on approach to the new traffic signals to provide left and right turn lanes, thereby increasing traffic flow;
 - 5.1.3. reducing the speed limit in the vicinity of the junction to improve safety;
 - 5.1.4. construction of and improvements to existing pedestrian footways, with crossing points and appropriate on-demand pedestrian phasing at the traffic signals; and
 - 5.1.5. improvements to signing and road marking in the vicinity of the junction to increase advance warning of the new junction arrangement.

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- 5.2. Following the completion of the first two elements of the Project, design, consultation and tendering activities were undertaken for the Warley Interchange improvements. However, the tender cost for these works far exceeds the amount of funding available to complete the Project.
- 5.3. There is approximately £2.5m of the ECC funding contribution remaining to complete the improvements to the Warley Interchange but the cost of completing these works is £5.247m.
- 5.4. ECC have been actively seeking alternative sources of funding in order to bridge the £2.747m funding gap which now exists but no alternatives have been identified. ECC have also recently undertaken a comprehensive review of their capital programme with a view to reducing its capital spend and borrowing. ECC is therefore not in a position to commit any further funding to the Project.
- 5.5. ECC have approached DfT to seek an additional financial contribution towards the cost of delivering the improvements to the Warley Interchange. However, DfT were not prepared to fund the package and suggested that funding be sought elsewhere.
- 5.6. ECC have also considered the use of S106 contributions in order to bring forward the final element of the Project but at present there is no such funding available.
- 5.7. As a result, ECC are seeking to remove the Warley Interchange improvements from the Project scope. This would result in the £2.5m remaining ECC financial contribution being returned to the County Council Treasury. The £4m LGF allocation to the Project has already been spent in full.
- 5.8. ECC remains committed to delivering the improvements to the Warley Interchange and will continue to seek alternative funding sources in order to bring forward these works. At this stage, ECC are unable to provide a delivery programme for the improvements as no other funding contributions have been secured, and as a result there will be a delay in realising the full benefits outlined within the Project Business Case.

6. Impact on Value for Money and Project outcomes

- 6.1. The Value for Money assessment in the original Project Business Case provided an overall Benefit Cost Ratio (BCR) for the Project of 3.66:1, presenting high value for money. The BCR for the overall project was supported by BCR values for each of the specific interventions to be delivered within the scope of the Project, as shown in Table 1.

Table 1: BCR values by planned intervention

Intervention	Benefit Cost Ratio
Nevendon Interchange	4.57:1
Rayleigh Weir Interchange	4.65:1
Warley Interchange	3.79:1
VMS and CCTV installation along the A127	2.30:1
Strategic signing from A127 to A13 westbound	2.25:1

- 6.2. Of the three primary elements of the Project the proposed Warley Interchange scheme offers the lowest BCR at 3.79:1, with the Nevendon Interchange and Rayleigh Weir Interchange improvements presenting BCR's of 4.57:1 and 4.65:1 respectively.
- 6.3. The VMS, CCTV and Strategic signing improvements have also been delivered, with all scheme elements offering a BCR of greater than 2:1.
- 6.4. Through removing the Warley Interchange scheme, this will reduce the overall benefits achieved through the Project.
- 6.5. Due to the BCR's offered by the other elements of the Project, removal of the Warley Interchange element from the Project scope is unlikely to significantly impact on the overall BCR offered by the Project, with the scheme still offering high value for money.
- 6.6. Removal of the Warley Interchange works from the scope of the Project will mean that the existing problems at the junction, as identified in the original Project Business Case, will remain. Two primary traffic related issues were identified in the Business Case – congestion and road traffic collisions.
- 6.7. During peak periods traffic can queue back onto the main A127 from the Warley Interchange, due to the high levels of traffic on the B186 which has priority over traffic leaving the A127. This causes delays to through traffic on the A127 and can result in shunt-type collisions on the main carriageway.
- 6.8. The Warley Interchange is also prone to road traffic collisions at the top of the slip roads from the A127, where traffic is joining the B186. This issue is caused by drivers leaving the A127 having poor visibility of vehicles travelling along the B186. These issues will remain until alternative funding can be identified to bring forward the planned improvements to the Warley Interchange.
- 6.9. In addition to the Project there are several other LGF funded schemes which are also delivering improvements to the A127 corridor. According to the original Project Business Case the combined outcome from these projects will be the delivery of 37,100 homes and 57,100 jobs.

- 6.10. The Business Case indicates that the Project consists of a scalable package of measures with any reduction in scheme funding or delivery having a proportionate effect on the outcomes delivered. In the short term the removal of the Warley Interchange improvements will impact on the jobs and homes outcomes to be delivered by the Project. However, ECC consider the improvements to Warley Interchange to be a priority project and are therefore actively seeking alternative funding to bring the works forward. Therefore, in the longer term, subject to alternative funding being identified, the outcomes are likely to be realised in full, albeit to a delayed timetable.

7. Project Cost and Funding

- 7.1. The original Business Case indicated that the total Project cost was £9.15m, with funding contributions from the LGF, S106 funding and ECC, as set out in Table 2 below.
- 7.2. Subsequently it was identified that the total Project cost outlined in the Business Case was incorrect, with the total Project cost actually expected to be £8.4m.
- 7.3. To date total spend on the Project totals £5.977m, with the £4m LGF funding spent in full by the end of the 2016/17 financial year. Spend of the LGF funding was accelerated at the request of DfT, meaning that the actual spend profile differs from that forecast in the original Business Case.

Table 2 – Original and actual spend profile for the A127 Network Resilience Project

Original spend profile as set out in the Project Business Case							
£m	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
LGF		0.60	1.10	0.50	0.40	1.40	4.00
S106			0.80				0.80
ECC	0.20	0.50	2.15	1.50			4.35
Total	0.20	1.10	4.05	2.00	0.40	1.40	9.15
Actual spend profile							
£m	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Total
LGF		0.513	3.487				4.000
S106	0.115	0.053	0.613	0.395	0.084		1.260
ECC					0.717		0.717
Total	0.115	0.566	4.100	0.395	0.801	0	5.977

- 7.4. In addition to the funding spent to date an additional £499,000 was budgeted for spend in 2018/19, with a further £2m budget identified in 2019/20. This £2.499m of funding was due to be provided by ECC.
- 7.5. Due to increased costs associated with the delivery of the final element of the Project, there is no longer funding available to deliver the Project in its entirety. The LGF funding has been spent in full and there is approximately £2.5m of the ECC financial contribution remaining, with an updated cost of £5.247m

obtained for the Warley Interchange works resulting in a budget gap of £2.747m.

- 7.6. It is proposed that the Warley Interchange element of the Project is removed and that the remaining balance of the ECC contribution is returned to the County Council Treasury, as set out in Section 5 above.

8. Department for Transport position

- 8.1. At the outset of the Growth Deal the decision was taken by Ministers that a small number of the most complex and expensive transport projects approved through the first round of the LGF should be seen as part of a larger portfolio of schemes, with DfT Ministers taking decisions on final approval, rather than the relevant LEP. These projects have been referred to as DfT retained schemes.
- 8.2. The A127 corridor schemes, which consist of a number of LGF projects, are identified as DfT retained schemes, and as such, DfT have been engaged by ECC regarding the emerging funding gap and the subsequent proposed change in project scope.
- 8.3. In a letter received by SELEP in April 2015 DfT indicated that they would only retain the decision for final approval of the A127 Fairglens Interchange Junction Improvements element of the A127 Corridor scheme.
- 8.4. At that time DfT confirmed that the LGF funding for the other elements of the scheme, including the Project, would be subject to SELEP's local assurance processes in the same way as the rest of the LGF funding allocated to projects in the SELEP area.
- 8.5. The Project is therefore dependent upon SELEP's own decision-making processes and as a result it is within the Board's gift to agree the change of scope for the Project, without DfT approval.

9. Option to recover LGF spend on the Project

- 9.1. Through the National Assurance Framework 2019, central government has stated that, "The LEP is expected to have in place appropriate arrangements to recover non-compliant funding. Where the LEP decides not to pursue recovery where it has identified non-compliance and has legal grounds to do so it must provide a compelling justification for its decision."
- 9.2. Under the Service Level Agreement by which LGF is transferred, ECC must repay all or part of the funding received with respect to a project allocation if the Board so requires because:
- The Council abandons the Project; or
 - A Project is changed and the Board declines to agree the change; or

- The Project can no longer meet the Grant Conditions.

9.3. Through the Board agreeing the change request, this would remove grounds on which to recover the LGF spend to date.

10. Financial Implications (Accountable Body comments)

10.1. All LGF is transferred to the sponsoring authority under the terms of a Funding Agreement which set out the circumstances under which funding may have to be repaid should it not be utilised in line with the conditions of the grant or in accordance with the Decisions of the Board.

10.2. The £4m LGF contribution that has been spent on this Project meets the conditions of the funding and the anticipated outcomes delivered are in line with the original business case, with the exception of the delivery of the Warley Interchange element.

10.3. The LGF allocation was made on the assumption that the full business case would be delivered and that this presented high value for money. It is noted that high value for money remains the expectation for the elements that have been delivered.

10.4. The acceleration of LGF, ahead of ECC investment, has culminated in a risk that the Warley Interchange enhancements won't be delivered in the medium term, due to the funding gap that is now in place. It is noted, however, that ECC are still committed to the delivering the scheme and are actively seeking alternative funding, albeit, should this be realised, the delivery would be expected to be outside of the Growth Deal period.

11. Legal Implications (Accountable Body comments)

11.1. There are no legal implications arising out of this report. There is no formally SLA in place between ECC as Accountable Body and ECC as an Upper Tier Authority as seen with all other SLA's relating to LGF funding, as it is not possible for an entity to legal contract with itself. However, there has remained the expectation that ECC will adhere to the terms of the SLA, as if it was a contracting party, in order to ensure that they are not placed in a beneficial position to the other upper tier authorities.

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:

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- 12.1.1. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act;
 - 12.1.2. Advance equality of opportunity between people who shared a protected characteristic and those who do not;
 - 12.1.3. 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.

13. List of Background Papers

- 13.1. Business Case for the A127 Network Resilience project
- 13.2. A127 Network Resilience Change Request

(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)	 24/5/19