

<b>Report to Accountability Board</b>	<b>Forward Plan reference number:</b> FP/AB/119
<b>Date of Accountability Board Meeting:</b> 15 <sup>th</sup> December 2017	
<b>Date of report:</b> 8 <sup>th</sup> December 2017	
<b>Title of report: M20 Junction 10a LGF Funding Approval</b>	
<b>Report by: Rhiannon Mort, SELEP Capital Programme Manager</b>	
<b>Enquiries to:</b> rhiannon.mort@essex.gov.uk	

## 1. Purpose of report

- 1.1. The purpose of this report is to provide the Accountability Board (the Board) with an update on the delivery of the M20 Junction 10a (the Project), in Ashford, Kent and to endorse the decision taken by the Board on the 24<sup>th</sup> February 2017 to award £11.4m Local Growth Fund (LGF) to the Construction Phase of the Project, following confirmation being received from Highways England that their assurance processes have been completed.

## 2. Recommendations

- 2.1. The Board is asked to:
- 2.1.1. **Note** that Highways England has provided evidence that a robust Value for Money assurance process has been followed and that the funding decision has been made by the Highways England Investment Decision Committee (IDC) to approve the Project in full.
- 2.1.2 **Endorse** the Board approval given on 24<sup>th</sup> February 2017 to award £11.4m LGF to the Construction Phase of the Project, subject to there being sufficient funds made available to the SELEP by Government for the future year LGF allocation to the Project.

## 3. M20 Junction 10a – The Project

- 3.1. The M20 Junction 10a is a Highways England led project, with third party funding support from SELEP and Ashford Borough Council. In February 2017, the Board approved the award of £8.3m LGF to the Development Phase of the Project and a further £11.4m LGF to the Construction Phase, subject to certain conditions being satisfied as set out in section 6 below.
- 3.2 The new junction aims to support local infrastructure needs as part of the future growth plans to the South of Ashford, Kent. The planned growth will

include associated improvements in education, leisure, retail and commercial development as well as better travel options and sustainable transport links.

- 3.3 The recent developer-funded improvements to the existing M20 Junction 10, to increase the capacity and improve safety, will allow some planned residential and commercial development to go ahead, but will not be sufficient for all the proposed development.
- 3.4 The new 10a junction will form part of the motorway, incorporating a new 2-lane dual carriageway link road to the existing A2070 Southern Orbital Road (Bad Munstereifel Road) and will involve, once completed the closure of the eastern slip roads on the nearby existing Junction 10.
- 3.5 In addition to the new interchange, the Project includes a new pedestrian and cycle bridge over the M20 to the east of the new Junction 10a. This will provide a link between Kingsford Street on the south side of the motorway to the A20 on the north side. There will also be a replacement footbridge over the A2070 at Church Road, and a new retaining wall at Kingsford Street.

#### **4. Project Objectives**

- 4.1. The objectives of the Project are to:
  - 4.1.1. Increase the capacity of the road network to support and allow the delivery of residential and employment development either proposed or permitted within the Ashford growth area.
  - 4.1.2. Improve the safety of road users by alleviating congestion around the existing Junction 10 whilst creating the opportunity to enhance local transport facilities for non-motorised users.
  - 4.1.3. Provide a new route for traffic into Ashford via a new Junction (10a) and dual carriageway link road.
  - 4.1.4. Minimise the environmental impact and where possible allow enhancements to be made to the environment; and
  - 4.1.5. Improve journey time reliability on the strategic road network.

#### **5. Stage of Development**

- 5.1. The Project is near completion of the Development Phase. This has been supported by an award of £8.3m LGF investment to this phase of works.
- 5.2. In addition, at its meeting on 24<sup>th</sup> February 2017, the Board approved the award of a further £11.4m LGF to the Construction Phase of the project. This approval was subject to Highways England approving the Project through their governance processes.

- 5.3. The Project has been categorised as a Nationally Significant Infrastructure Project (NSIP), which requires a Development Consent Order (DCO) application. On the 1<sup>st</sup> December 2017, the Secretary of State for Transport, granted development consent for the Project.
- 5.4. Furthermore, on the 7<sup>th</sup> December 2017 Highways England's IDC approved the Project in full to enable the Project to progress to the Construction Phase.
- 5.5. Once the planning conditions identified as part of the DCO process have been discharged by the Department for Transport, the approval of the Project by Highways England's IDC and the award of development consent by the Secretary of State will now enable the project to progress, with site mobilisation works due to commence in January 2018.

## **6. Funding allocation**

- 6.1. The total cost of the Project is currently estimated at £97.14m; a reduced expected total Project cost relative to the £104.4m estimate previously reported to the Board in February 2017.
- 6.2. In total, SELEP has allocated £19.7m LGF to the Project, with £8.3m due to be spent in 2017/18 and a further £11.4m LGF to be spent in 2018/19.
- 6.3. In addition to the £19.7m LGF allocation to the Project, there is also a £16m funding contribution from Ashford Borough Council. A funding solution has been identified for the Department for Communities and Local Government to assist Ashford Borough Council in providing this funding commitment to the Project. The remaining Project costs are to be funded by Highways England.
- 6.4. On the 24<sup>th</sup> February 2017, the Board approved the award of £8.3m LGF funding to the Project to support the Development Phase. A grant agreement has now been developed between SELEP Accountable Body (Essex County Council) and Highways England to enable the transfer of this initial £8.3m LGF in 2017/18.
- 6.5. The remaining £11.4m LGF allocation to the Project, to support the Construction Phase of the Project can now be endorsed, as SELEP has received evidence that a robust Value for Money assurance process has been followed and Highways England have confirmed that a funding decision has been made by their IDC to approve the project in full.
- 6.6. The Board approval for the Construction Phase funding in February 2017 was further caveated by the requirement that there are sufficient funds being made available to the SELEP by Government for the future year LGF allocation to the Project.
- 6.7. In relation to the condition for sufficient funds to be made available in 2018/19, SELEP has not received its grant payment determination letter from DCLG for 2018/19. The grant determination letter is normally received by SELEP in Q4 each year to confirm the amount of LGF to be transferred to

SELEP during the next financial year. However, through the Annual Conversation held between SELEP and Central Government on the 7<sup>th</sup> December there was no indication that SELEP's grant allocation in 2018/19 would differ from the provisional allocation set out in SELEP's indicative allocation for future years of the Growth Deal programme.

- 6.8. The provisional LGF forecast for future years of the Growth Deal Programme identifies sufficient LGF in 2018/19 to enable the transfer of the remaining £11.4m to the Project during next financial year.
- 6.9. As such, it is proposed that SELEP should now progress in entering into a grant agreement with Highways England for the transfer of the remaining £11.4m LGF allocation to the Project. The grant agreement between the SELEP Accountable Body and Highways England will include conditions to ensure that SELEP only commits to transfer the £11.4m if sufficient funds are received from DCLG in 2018/19.

## **7. Business Case and Value for Money assessment**

- 7.1. A Business Case has been developed by Highways England for the Project, and was fully set out in the report before the Board on 24<sup>th</sup> February 2017.
- 7.2. In February 2017 the Board were informed that the Project Benefit Cost Ratio (BCR) was categorised as low, at 1.41:1. Despite the decrease in Project cost since the BCR was considered initially, the revised BCR value presented in the November 2017 Value for Money Statement (see Appendix 1) has decreased to 1.35:1, categorised as low Value for Money. This change to the BCR value is primarily the result of changes to Department for Transport WebTAG advice on the economic assessment of transport projects.
- 7.3. Highway England has provided a copy of the updated Value for Money Statement (Appendix 1) and Analytical Assurance Statement (Appendix 2). These documents provide assurance from Highways England that a robust approach has been followed to the assessment of the Value for Money section of the Business Case.
- 7.4. Whilst the BCR value falls below SELEP's normal expectation for Projects to present high value for money (a BCR of 2:1 or higher), the Project was approved by the Board in February 2017 on the basis that the funding decision complies with Value for Money Exemption 2 as detailed in the SELEP Assurance Framework.
- 7.5. Despite the low BCR value for the Project, Highways England IDC have approved the Project in full due to the strong Strategic Case for the delivery of the Project, to enable planned development in Ashford.

## **8. Financial Implications**

- 8.1. Funding for this project was approved in principle in February 2017 but this approval was contingent on the full approval to be given by the Highways England Investment Decision Committee. As this has now been granted, the remaining funds can be transferred. However, the funds will not transfer until Funding Agreements are in place.
- 8.2. Development funding transfer is also dependent on Funding Agreements being in place and as such no monies have transferred to date. Within the programme, £8.3m is planned to transfer in this year and £11.4m to transfer in 2018/19. As stated above, the £11.4m is dependent on LGF grant funding from Government being made at the indicated level or greater.

## **9. Legal Implications**

- 9.1. SELEP has not received its grant payment determination letter from DCLG for 2018/19, whilst the Annual Conversation held between SELEP and Central Government on the 7<sup>th</sup> December gave confidence that there would be no change to the SELEP's indicative allocation for future years of the Growth Deal programme, until the grant payment determination letter has been received the SELEP must be cautious in the early awards it gives against that funding.
- 9.2. Accordingly the grant agreement with Highways England for the transfer of the remaining £11.4m LGF allocation to the Project will include conditions to ensure that SELEP only commits to transfer the £11.4m if sufficient funds are received from DCLG in 2018/19.

## **10. Staffing and other resource implications**

- 10.1. No implications identified

## **11. Equality and Diversity implications**

- 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

## 12 List of Appendices

- 12.1 Appendix 1 – Value for Money Statement
- 12.2 Appendix 2 – Analytical Assurance Statement

## 13 List of Background Papers

- 13.1 M20 Junction 10a Business Case
- 13.2 M20 Junction 10a Accountability Board report – 24<sup>th</sup> February 2017

**(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>	
Suzanne Bennett	08/12/17
<b>On behalf of Margaret Lee</b>	