

<b>Report title:</b> A13 Widening LGF Project Update	
<b>Report to:</b> Accountability Board	
<b>Report author:</b> Howard Davies, SELEP Capital Programme Officer	
<b>Meeting date:</b> 16 February 2024	<b>For:</b> Decision
<b>Enquiries to:</b> <a href="mailto:howard.davies@southeastlep.com">howard.davies@southeastlep.com</a>	
<b>SELEP Partner Authority affected:</b> Thurrock	

## 1. Purpose of report

- 1.1. The purpose of this report is for the Accountability Board (the Board) to receive an update on the Value for Money assessment for the A13 Widening Local Growth Fund (LGF) project (the Project).
- 1.2. The report will also give an update on outstanding matters relating to the project.

## 2. Recommendations

- 2.1. The Board is asked to:
  - 2.1.1. **Note** that following practical completion of the Project, the latest available information indicates that it may no longer demonstrate Value for Money in accordance with the requirements of the SELEP Assurance Framework.
  - 2.1.2. **Note** that as part of the monitoring and evaluation process following Project completion, Thurrock Council is required to keep the anticipated benefits under review to assess whether the outcomes set out in the business case are realised.

## 3. Summary Position

- 3.1. The project involves widening the A13 Stanford le Hope Bypass from two to three lanes in both directions, from the junction with the A128 (Orsett Cock roundabout) in the west to the A1014 (the Manorway) in the east. The Project provides a continuous three-lane carriageway from the M25 to Stanford le Hope, which will reduce congestion, improve journey times and support further economic growth, including opportunities for development(s) and inward investment.
- 3.2. The Project is a Department for Transport (DfT) retained scheme, which means the original Business Case for the project was reviewed by the DfT and the funding decision was made by the Secretary of State in April 2017.
- 3.3. The Project was initially in receipt of £5m LGF Funding from SELEP, approved by the Board in April 2016. At the time of the original funding decision, the estimated project cost totalled £78.866m, with £66.058m LGF then secured from the DfT and approved by the

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Board in March 2017. The Benefit Cost Ratio stood at 2.9:1, representing high Value for Money (VfM).

- 3.4. The Board has received updates on issues and progress since November 2019. In July 2020, the total cost of the Project was reported to have increased to £114.7m. The associated VfM assessment at this time remained High with a Benefit Cost Ratio (BCR) of 2.1:1. The Board consequently agreed to award a further £8.942m LGF towards the Project, increasing the overall LGF contribution to £80m.
- 3.5. At the point of this additional funding award to the Project, Thurrock Council provided assurances that the Project would still progress through to completion and that the Council would underwrite any further funding shortfalls that might arise. This would include seeking additional funding through any external sources available to Thurrock Council, as well as the use of its own capital resources such as capital receipts and Prudential Borrowing.
- 3.6. At the March 2021 meeting, the Board approved an additional £1.5m LGF for cost rises to the Project, largely associated with the impacts of the COVID-19 pandemic. A revised economic appraisal was undertaken as part of this application for additional LGF funding.
- 3.7. The economic assessment demonstrated that the BCR for the Project had reduced to 1.7:1 from 2.9:1 (set out in the original Business Case), which no longer represented high VfM. The SELEP Assurance Framework sets out that Projects are required to achieve a BCR of at least 2:1. However, it was noted by the Independent Technical Evaluator that an additional scenario that considered the impacts of the Lower Thames Crossing had been provided. This scenario demonstrated a BCR of 2.5:1. The Board considered the fact that the Project no longer offered High VfM in isolation, however, when considered in conjunction with the expected benefits from the Lower Thames Crossing project, High VfM was anticipated.
- 3.8. At the September 2023 Board meeting, members were given an update on the Project which included a presentation on Lessons Learnt throughout the lifetime of the Project. At that time, an updated VfM Assessment was expected at the November 2023 meeting, as projected outturn costs had risen to £147.5m. The November 2023 meeting was deferred, and the VfM information was not available to update the Board at the January 2024 meeting.
- 3.9. More background information can be found at Appendix A.

### **4. Value for Money Exercise (VfM)**

- 4.1. The original business case in April 2017, concluded the Project demonstrated High VfM with a BCR of 2.9:1. This assessment was based on a final project cost of £81.2m.
- 4.2. The revised VfM presented to the Board at the July 2020 meeting signalled that the project demonstrated a high VfM BCR of 2.1:1. Projected costs had risen to £118.1m.
- 4.3. The updated VfM assessment presented to the Board in March 2021 reported that the project cost had risen to £145m. The VfM assessment demonstrated that the Project now offered medium VfM with a BCR of 1.7:1. However, a scenario which included expected benefits from the Lower Thames Crossing project, increasing the BCR to high, was

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considered by the Board. This assessment relied upon the same data provided for the previous update; none of the models were rerun. Consequently, the March 2021 assessment did not provide sufficient updated data to warrant an updated VfM assessment by the Independent Technical Evaluator. Whilst projected benefits from the Lower Thames Crossing project were taken into account by the Board in March 2021 when deciding to award an additional £1.5m to the project, benefits from the Lower Thames Crossing project were not included in the Project's original Business Case and underpinning VfM assessment with a BCR of 2.9:1. Projects included were the London Gateway Port and Logistics Park expansion and Thames Enterprise Business Park. However, the economic case in the original Business Case did include a benefits scenario that included the Lower Thames Crossing project.

- 4.4. It is noted that Thurrock Council does not support the current Lower Thames Crossing proposals without significant improvements or mitigations, as set out in a recent report to the Thurrock Council Lower Thames Crossing Task Force group at their meeting on 22 January 2024. The report sets out Thurrock Council's major concerns as well as its assessment of National Highways performance against its scheme objectives of the Lower Thames Crossing (LTC) project. The report states that only 5% of the wider economic benefits of the LTC project will benefit Thurrock and that this will only increase the local economy by 0.03%. This assessment places a concern that projected benefits of the LTC project previously included in the Project's VfM assessment and BCR, may have overstated the anticipated benefits.
- 4.5. The VfM assessment used in March 2021 showed that final outturn costs were £145m which is less than the £147.5m reported to the Board in September 2023 which indicated a BCR of 1.7:1, excluding the benefits attributed to the LTC. It is possible that the benefits applied at that time may have increased over time and it is also possible that other benefits may now be applicable. However, there is currently no assurance that the final BCR will meet the 2:1 criteria set out in the Assurance Framework.
- 4.6. The original Business Case and VfM assessment for the Project considers benefits to Thurrock only. However, it is noted that the scale of this Project is expected to deliver significant benefits to South Essex, including Brentwood and Chelmsford to the north, Southend on Sea, Southend airport and the business community around Basildon, to the east.
- 4.7. It is recognised that this Project has been challenging throughout its delivery and that many lessons have been learned, particularly in respect of improvements in contract, cost and supply chain management. A project of this nature in its entirety is expected to generate significant benefits for the area, some of which are difficult to quantify.
- 4.8. As the Project is practically complete, no decision is required, however, the Board is asked to note that following practical completion of the Project, the latest available information indicates that it may no longer demonstrate VfM in accordance with the requirements of the SELEP Assurance Framework. A full reassessment of the Project's projected benefits has not been undertaken by Thurrock Council to inform an updated VfM calculation at this time that may assure the position. In light of the well reported challenges associated with this Project, it is important that partners learn the lessons to inform future schemes of this scale. As reported to the September 2023 meeting of the Board, Thurrock Council have

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undertaken a full review of the Project, which was presented to the Board. This has been included at Appendix B

- 4.9. As part of the monitoring and evaluation process following Project completion, Thurrock Council is required to keep the anticipated benefits under review to assess whether the outcomes set out in the business case are realised. Following closure of SELEP, this information will no longer be reported to the Board, however, it is expected that this position will continue to be monitored by Department for Levelling Up, Housing and Communities through the new reporting arrangements being established with the Local Authorities as they take on SELEP functions from April 2024.

### **5. Delivery Update**

- 5.1. The widening of the A13 Stanford le Hope Bypass from two to three lanes in both directions, has been fully operational since the spring of 2023, with several Project matters to conclude that are not affecting full operation of the road.
- 5.2. The Board were previously advised that there were a small number of compensation claims outstanding. These claims relate to business disturbance claims arising from the provisions within the original Harbour Empowerment Order used to secure the land. Of the five claims outstanding, three have reached agreement; a further one has reached agreement but cannot be settled until the balancing pond track is complete and the final agreement is expected to be finalised by the end of February 2024.
- 5.3. Works to be completed include:
  - 5.3.1. Completion of the balancing pool access track – Summer 2024
  - 5.3.2. Identification and negotiation of any defects – Summer 2024
  - 5.3.3. Final receipt of completed health & safety files and as built drawings<sup>1</sup>. – Spring 2024.
- 5.4. On completion of the matters identified above, the project will have been fully delivered.
- 5.5. The Board has received a comprehensive update on the challenges that this project has experienced over the delivery period, which has presented an opportunity for much learning, and lessons learnt have been documented for future reference.

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

- 6.1. As has been regularly reported to the Board, there have been significant financial challenges associated with the delivery of this Project. The forecast total cost set out in this report of £147.453m, represents a significant increase over the original £78.866m budget for the Project and places a risk with respect to the value for money associated with the scheme. Most recent assessments indicated that High Value for Money could only be maintained if the benefits associated with delivery of the Lower Thames Crossing Project were taken into consideration.

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<sup>1</sup> As built drawings include all the changes made throughout the construction project

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- 6.2. On each occasion when a funding award was considered by the Board for this Project, an Independent Technical Evaluation was undertaken that determined that the Project met the VfM requirements of the Assurance Framework, based on the agreed business case assumptions at that time, albeit that this became dependent on the inclusion of benefits associated with the delivery of the Lower Thames Crossing for later funding decisions.
- 6.3. The anticipated full re-assessment of the Value for Money associated with the project has not been provided, however, the reported benefit concerns in respect of the Lower Thames Crossing indicates that the BCR may no longer place reliance on these to meet the VfM requirements of the SELEP Assurance Framework that is associated with the award of funding.
- 6.4. As the Project is practically complete, no decision is required from the Board, however, the completion of the lessons learnt report is a useful tool to assist in ensuring that future Projects can adopt the key lessons identified which will help to protect against unplanned cost impacts and assuring a focus on benefits realisation – these are helpful insights that can be a learning tool for all Partners.
- 6.5. Essex County Council, as the Accountable Body, is responsible for ensuring that the LGF funding is utilised in accordance with the conditions set out by Government for use of the Grant.
- 6.6. £81.5m of LGF has been transferred to Thurrock Council, to support delivery of this Project, under the terms of a Funding Agreement or SLA which makes clear that funding can only be used in line with the agreed terms.
- 6.7. The Agreements also set out that it was the responsibility of Thurrock Council to secure the additional funding required to meet the cost overruns; assurances have previously been secured from the Council and reported to the Board, that the additional funding would be identified to fund the significant cost overrun associated with this Project; a report to Thurrock Cabinet in July 2023 identifies that the majority of the cost overrun (forecast as in excess of £68m) is being met by Prudential Borrowing by the Council.

## 7. Legal Implications (Accountable Body comments)

- 7.1. The grant funding was administered in accordance with the terms of the Grant Determination Letter between the Accountable Body and Central Government and required to be used in accordance with the terms of the Service Level Agreements between the Accountable Body and Partner Authorities. The report is asking the Board to note the current position, which is that project is near completion as it has delivered an operational road but there are compensation events outstanding as well as some works (as outlined above in paragraph 5.2) that need to be completed, therefore there are no decisions required by the Board.

## 8. Equality and Diversity Implications

- 8.1. 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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- 8.1.1. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act.
  - 8.1.2. Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - 8.1.3. Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 8.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender, and sexual orientation.
- 8.3. 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 possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

## 9. List of Appendices

- 9.1. Appendix A – LGF Project Background Information
- 9.2. Appendix B – Key Lessons Learnt

**(Any request for background papers listed here should be made to the person named at the top of the report who will be able to help with any enquiries)**

<b>Role</b>	<b>Date</b>
<b>Accountable Body sign off</b> <b>Michael Neumann</b> <b>(on behalf of Nicole Wood, S151 Officer, Essex County Council)</b>	<b>09/02/2024</b>

## Appendix A – LGF Project Background Information

<b>Name of Project</b>	<b>A13 Widening</b> Thurrock Council													
<b>Local Growth Fund (LGF) allocation</b>	<table border="1"> <thead> <tr> <th><b>Date of award</b></th> <th><b>Amount (£m)</b></th> </tr> </thead> <tbody> <tr> <td>April 2016 (LGF Development Funding)</td> <td>5.000</td> </tr> <tr> <td>March 2017 Accountability Board (DfT)</td> <td>66.058</td> </tr> <tr> <td>July 2020 Accountability Board (DfT)</td> <td>8.942</td> </tr> <tr> <td>March 2021 (Additional LGF)</td> <td>1.500</td> </tr> <tr> <td style="text-align: right;"><b>Total</b></td> <td><b>81.500</b></td> </tr> </tbody> </table>		<b>Date of award</b>	<b>Amount (£m)</b>	April 2016 (LGF Development Funding)	5.000	March 2017 Accountability Board (DfT)	66.058	July 2020 Accountability Board (DfT)	8.942	March 2021 (Additional LGF)	1.500	<b>Total</b>	<b>81.500</b>
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<b>Total</b>	<b>81.500</b>													
<b>Description of what Project delivers</b>	The project involved widening the A13 Stanford le Hope Bypass in both directions, from the junction with the A128 in the west to the A1014 in the east. Now that the project is complete, there is a continuous three-lane carriageway from the M25 to Stanford le Hope.													
<b>Project benefits</b>	The project will help address existing traffic congestion and improve journey times. It will also provide a significant contribution in supporting much needed economic growth not only on a regional and national platform but given the proximity to significant ports, logistics and industry, also on an international basis too which is why the delivery of the scheme is of critical importance.													
<b>Project constraints</b>	<ul style="list-style-type: none"> <li>Increased project costs have been a major cause for concern.</li> <li>Contract issues around Compensation Events have added to the rising costs.</li> <li>COVID-19 increased delays and added pressure to costs.</li> </ul> <p>The project is complete with the focus now on agreeing the arrangements for processing of compensation claims. Additional minor works adjacent to the main carriageway are ongoing.</p>													
<b>Link to Project page on the website with full Business Case</b>	<a href="https://www.southeastlep.com/project/a13-widening/">https://www.southeastlep.com/project/a13-widening/</a>													

## Appendix B: Key Lessons Learnt

Clearer procurement strategy. Competent NEC PM Drive collaboration into project at all stages
Project Setup period - Design + Consultant team Clarity on Skillsets and Experience Robust Governance and Change Control
1. Greater involvement in the procurement / tendering phase. 2. Clear contract documentation from the outset to minimise conflict. 3. Have a defined scope to reduce change.
Ensuring the scope of the works is fully understood by all parties. Ensuring that appropriate levels for discussion are maintained. A greater understanding of the stages that the scheme is to pass through.
Better coordination of procurement of different suppliers. Get the right level of resource capability. Agree contract management processes and reporting drumbeat.
Have the right / good amount of resource from the start - where possible - Have a finished design (mainly if Option C) - Have a clear file storage system for all docs / original contracts.
Better collaboration with Contractor, Suitable PM team for the scheme and design maturity.
Regular auditing early on in the project.
Fix scope, get right team doing the right things at right time by teamwork.
RACI matrix/R&Rs Important of procurement strategy Level of design maturity required.
Thorough checking process / gateways agreed up front. Clarity of scope.
Agree more robust ITP plans at the outset with greater responsibility on the contractor to notify inspections to the supervisors team with ramifications if they do not comply with this requirement. This could greatly decrease the number of defects. Collaborative working is the most important aspect of progressing works and any challenges with this aspect of the construction process should be ironed out and rectified where possible.



## **Key Takeaways:**

1. The Project original contract let sum did not consider the level of change and risk residing within the scope at the time of appointing the Contractor, as captured in Lesson Learnt sessions.
2. The project was lacking in areas at time in terms of governance and behaviours. Addressed by intervention & measures implemented.
3. Covid-19 had a substantial impact on the scheme, not only in cost and programme, also in lack of experience for all parties (1<sup>st</sup> time event), exacerbating already troubled Project Team relationships.
4. Once robust governance and controls were established, Regular audits and KPI's for reporting agreed, the controls and performance improved noticeably.
5. Robust Gateways not evidenced in early stages.
6. The scheme out turn cost would have been substantially higher if a scheme reset had not taken place (DoV - Dec 2020). This intervention yielded great benefits and off-set the potential lack of value gained due to lack of robust controls and governance prior to December 2019.
7. The ultimate out turn cost is a fair representation of what the scheme value is, due to the many challenges, level of change and commercial shortcomings identified in the Lesson Learnt sessions.
8. Ensure funding constraints don't lead to optimism bias / group think. Independent review required.