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and FP/AB/623

Report title: Local Growth Fund – London Gateway/Stanford le Hope and Grays South Update Report	
Report to: Accountability Board	
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Meeting date: 13 April 2023	For: Decision
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SELEP Partner Authority affected: 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 delivery of the following high risk Local Growth Fund (LGF) projects which are being delivered by Thurrock Council: London Gateway/Stanford le Hope and Grays South.
- 1.2. The report will outline the effect of the Government’s intervention in September 2022 when the Government appointed Essex County Council as Commissioners for Thurrock Council, following grave concerns voiced by the Department of Levelling Up, Housing and Communities over Thurrock Council’s exceptional levels of financial risk and debt. Essex County Council were also appointed to undertake a Best Value Inspection.
- 1.3. Since the November 2022 Board meeting, Thurrock Council have issued a Section 114 notice and this has led to further powers being handed to the Commissioners by Central Government which has resulted in a number of additional processes being put in place for some workstreams.
- 1.4. This report seeks to provide an initial explanation as to how the measures implemented by Government will impact on the delivery of the LGF projects, including consideration as to how the timeline for producing the revised Business Case for London Gateway/Stanford le Hope project will be impacted.

2. Recommendations

- 2.1. The Board is asked to:

London Gateway/Stanford le Hope

- 2.1.1. **Agree** to not automatically enact the removal and reallocation of the LGF funding from the project despite the requirements of the decision taken by the Board in September 2022 not being met. Noting that in November 2022, Thurrock Council indicated that an extension to the deadline for consideration of the revised Business Case would be

needed, with the decision due to come forward at the postponed March 2023 Board meeting.

2.1.2. **Agree** that a request for an extension to the deadline for consideration of the revised Business Case for the project can be presented at the June 2023 Board.

2.1.3. **Note** that a further update on delivery of the project will be brought to the June 2023 Board meeting, which will include an update on progress with Phase 2 design options.

Grays South

2.1.4. **Note** the latest position on the delivery of the project.

2.1.5. **Agree** that the unspent £5.36m LGF funding, currently held by Thurrock Council, be placed on hold due to deliverability and affordability concerns and should remain on hold until it can be demonstrated that the project continues to comply with the requirements of the Assurance Framework.

2.1.6. **Note** that the Board will be provided with a further update on the project, which will include an update on the progress of the current review process, including an indication of the findings at its meeting in June 2023.

3. Government Intervention

- 3.1. The Local Government Act 1999 gives the Secretary of State for the Department of Levelling up, Housing and Communities the power to send in Commissioners to take over some functions of a council which is considered at risk of failing in their 'best value' duty, despite the impact of austerity on councils' ability to maintain services.
- 3.2. On 2 September 2022, the Secretary of State for the Department of Levelling up, Housing and Communities confirmed that he had appointed Essex County Council as Commissioners following grave concerns voiced by Department of Levelling up, Housing and Communities over Thurrock Council's exceptional levels of financial risk and debt.
- 3.3. It was also announced that Essex County Council had been appointed to undertake a Best Value Inspection.
- 3.4. The intervention by Government will affect both projects included in this report, both from a financial/funding perspective and in terms of their delivery timeline. Reviews of current capital project delivery, together with viability and relevance are all under consideration as set out in the sections below.

Best Value Inspection

- 3.5. The Best Value Inspection was required to consider, in the delivery of specific functions, whether Thurrock Council had effective arrangements in place for securing Best Value in its governance, audit (internal and external), risk management, overview and scrutiny functions and their impact on service delivery. The Best Value Inspection report was submitted to Government on 17 February 2023 and will be published in due course.

- 3.6. As part of the early work submitted to the Secretary of State it was concluded that Thurrock Council was not meeting its Best Value Duty, both in terms of its known financial issues, and in relation to its governance and staffing functions.
- 3.7. The Commissioners have full control of the financial functions of Thurrock Council. Further Ministerial directions propose to extend this role to include operational and strategic management, including the appointment of a Managing Director Commissioner.
- 3.8. The Council has already collaborated with the Commissioners to create an 'Improvement and Recovery Plan'. The Improvement and Recovery Plan was formulated out of the initial report produced by the Commissioners. As part of the Improvement and Recovery Plan, the Council is required to review all of their major capital projects, including those that make up the Regeneration programme. This is with a view to ensuring delivery capacity and financial control and to ensure that robust governance arrangements are in place. This will enable Thurrock Council to clarify what aspects of the revised strategic growth plan it is going to enable or facilitate and which major projects the Council will continue to deliver directly, recognising the financial constraints it is operating under and the need to facilitate more and directly deliver less.
- 3.9. The timeline of the Government Intervention and additional information is included in Appendix B.

4. Section 114 Notice

- 4.1. By law, councils must have a balanced budget. If a council cannot find a way to finance its budget, it must issue a Section 114 notice.
- 4.2. On 19 December 2022 Thurrock Council issued a Section 114 notice. This put strict limits on what can be spent. This was necessary because Thurrock Council were unable to balance their budget for the financial years of 2022/23 and 2023/24. Taking this action protects essential services and helps to make sure Thurrock Council will be able to balance their budget in future years.
- 4.3. Councillors have 21 days from the issue of a Section 114 notice to discuss the implications at a Full Council meeting. Thurrock Council met this target with an exceptional Council meeting on 9 January 2023.
- 4.4. The serving of the Section 114 Notice has meant putting in place a Directors Board, which is comprised of the Council's Chief Executive and the Directors of the Council. Going forward this Board will now include the Managing Director Commissioner, who has been in place since 20 March 2023. The acting Chief Executive has now returned to his Director role within the Council.
- 4.5. The Directors Board is responsible for:
 - 4.5.1. checking performance across the council.
 - 4.5.2. delivering the government's initiatives and policies.
 - 4.5.3. supporting managers and staff to develop and deliver services.
 - 4.5.4. working with other organisations.

4.6. Further information is included in Appendix B

5. Overview of the London Gateway/Stanford le Hope project

5.1. The main aims of the Project are to:

5.1.1. Develop an interchange that will connect bus, rail, cycle, taxi, and pedestrian modes of transport at Stanford le Hope station.

5.1.2. Expand capacity at Stanford le Hope Station.

5.1.3. Implement a package of works that meets the requirements of travel plans for London Gateway and unlocks the next phase of development at London Gateway.

5.1.4. Provide improvements to public transport infrastructure and service reliability to new housing developments and to the major employment growth sites at London Gateway/Coryton.

5.1.5. Help curb traffic growth and minimise growth in transport emissions in the area through this new transport interchange.

5.2. To assist with the delivery of this complex regeneration project, the works as set out in the original Business Case have been split into 2 phases:

5.2.1. Station building - with passenger toilets, widened platform, level access to building and station platforms, real time customer information systems (Phase 1).

5.2.2. Multi-modal interchange – 2 car passenger drop off positions with landing island, 2 taxi rank positions with landing island and shelter, 84 secure cycle parking spaces, 2 drop off positions and 1 pickup position for a bus with waiting facilities, protected pedestrian walking routes and desire lines (Phase 2).

5.3. The original Business Case demonstrated High value for money with a Benefit Cost Ratio (BCR) of 9.4:1. The Business Case indicated that the project will support the creation of an estimated 756 new jobs at DP World London Gateway and Thames Enterprise Park over the period up to 2031 through provision of infrastructure that will improve accessibility by sustainable modes of travel.

5.4. The Board approved an LGF allocation of £7.5m towards the estimated £12.05m project cost in February 2017. This allocation has been spent in full supporting design development, ground investigation, site de-risking, planning process and demolition works.

5.5. The current cost estimate of £29.09m is the working budget for both phases of the project. The estimate will be subject to confirmation of future costs through tender processes and final completion audits of the project. However, due to the scale of the cost increase there is a requirement for submission of an updated Business Case to demonstrate that the project continues to offer High value for money and that the requirements of the Assurance Framework continue to be met.

5.6. At the September 2022 meeting, the Board were advised that an updated Business Case had been received by SELEP incorporating a new approach for the Multi Modal Hub. However, due to the need to include further information around project deliverability and

funding for the entire project, the Independent Technical Evaluator was unable to assure the Value for Money and realisation of benefits. In light of this, the Board agreed that the LGF funding could be retained against the project to:

- 5.6.1. Allow time for further work to be undertaken on the Business Case and to allow for a further review to be completed by the Independent Technical Evaluator;
 - 5.6.2. Allow time for Thurrock Council to address and mitigate the risks to delivery of the project outlined in the report; and
 - 5.6.3. Allow time for Thurrock Council to develop their plans for Phase 2 of the project enabling them to confirm that a full funding package is in place to deliver the full scope of the project as set out in the Business Case.
- 5.7. The Board also noted that if these points were not adequately addressed in advance of the first Board meeting of 2023/24, the LGF funding would be removed from the project and would need to be returned to Essex County Council (as Accountable Body for SELEP) within 4 weeks by Thurrock Council for reallocation to alternative projects.
- 5.8. At the meeting in November 2022, the Board were asked to note that a request for an extension to the deadline for consideration of the revised Business Case for the project would be presented at the March 2023 Board meeting.
- 5.9. As the March 2023 Board meeting was postponed, Thurrock Council did not have the opportunity to bring forward an extension request prior to the first Board meeting of 2023/24 and therefore, as it stands, the requirements agreed by the Board have not been met.
- 5.10. Further information on the project is provided in Appendix A

6. Impact of Section 114 Notice on project delivery

- 6.1. The delivery of the new Stanford le Hope station (Phase 1) has faced many challenges, the most recent being the need to discontinue with the procurement of a main contractor, due to post tender budget and programme issues which could not be resolved. This has led the Council to review the programme in the light of the above financial challenges which have led to the issuing of the Section 114 Notice. A number of delivery options were considered by the Council's Directors Board Meeting on 21 December 2022. At this Directors Board a decision was made to prioritise the completion of the design and planning phase for the interchange element (Phase 2) and the provision of a new LGF Business Case. Whilst a considerable amount of design work, on a number of options, has already been undertaken on the interchange, until a final design is completed and costed, any shortfall in funding cannot be identified and sourced.
- 6.2. The serving of the Section 114 Notice has impacted the ability of the Council to commission the design work and this has delayed the instruction of the work for the interchange through the need to seek approval from the Council's Directors Board.
- 6.3. An internal Business Case for any spend above £25,000 needs approval from the new Expenditure Control Panel which has been set up to review and approve/reject business cases. In addition, contractual issues required a retendering of the external project management function. To expediate this, the Council's Regeneration team have taken over

the direct management of the design stage of the interchange works and have appointed Engineering Consultants, AECOM, to complete the design work. This appointment was conducted as per the process set out above.

7. Update on project delivery

- 7.1. The interchange design commission will be delivered in 2 stages, the first focuses on refining the current design work into two interchange options:
 - 7.1.1. One with a bus interchange onsite and adjacent to the station;
 - 7.1.2. One without a bus interchange onsite, but instead situated a short distance from the station.
- 7.2. A considerable amount of design work on options has already been undertaken and it is proposed that this will form the basis of the initial design review. Stage 1 work is timetabled to last 6 weeks and is anticipated to complete at the end of March 2023. This will provide the two design options, from which a preferred option will be selected by stakeholders to be taken forward to the detailed design stage and to form the basis of the submission of a planning application.
- 7.3. The initial stage of the design work will also provide high-level costings which will be used to inform a new Business Case. A brief to produce the updated Business Case has been produced and a procurement process is underway. The updated Business Case will provide an overarching understanding of what will be delivered and what the projected costs will be. This will enable the provision of a more accurate Value for Money and BCR analysis.
- 7.4. The Stage 2 design phase has been estimated to take up to five months depending upon the complexity of the selected design option. However, it is proposed to utilise all of the existing design knowledge and feedback from the previous pre-application meeting to ensure that the scheme is affordable and deliverable. It is proposed that a planning application for the preferred design will be ready for submission in September/October 2023.
- 7.5. In parallel with the detailed design phase, it is also proposed to prepare a draft Business Case with full costs available. This will allow a review of the current budget allocation and identify any shortfall and source alternative funding options. This will need to be addressed before the submission of the full Business Case for review by the SELEP independent technical evaluator.
- 7.6. In addition, it is proposed that the existing Phase 2 Stakeholder Group and Thurrock Council's Planning Transport Regeneration Overview and Scrutiny Steering Group will both be used to provide oversight of this design work.
- 7.7. Furthermore, the decision has been made to pause any further design work on Phase 1 of the project until the final full scheme design and costing information for the interchange have been received. There will then be an opportunity for all stakeholders involved in the project to review future delivery options with the full financial information and costed risk analysis available.
- 7.8. The current cost estimate for delivery of the project is £29.09m, as set out in Table 1.

Table 1: Financial Breakdown

	Budget					
Project Name	Third Sector (£m)	LGF Allocation (£m)	Local Authority (£m)	Other Public Sector (£m)	Private Sector (£m)	Total Project Costs (£m)
London Gateway/Stanford le Hope	1.53	7.50	15.72	0.00	4.34	29.09

7.9. The LGF allocation of £7.5m has been spent in full supporting design development, ground investigation, site de-risking, planning process and demolition works. In addition, total spend to date is in the region £12.6m, which includes the £7.5m LGF, as reported to the Board at the September 2022 meeting.

8. London Gateway/Stanford le Hope RAG Risk Rating

Table 2: RAG Risk Assessment

Risk	RAG rating (November 2022)	Change since last Board meeting	Current RAG rating (March 2023)	Progress & Actions
<p>SELEP funding is subject to an updated Business Case being submitted to the first Board meeting of 2023/24. However, since the November 2022 Board meeting, a Section 114 notice has been issued, which puts added steps in place to carry out works. In addition to this, the Board meeting was postponed in March 2023, meaning that this is the first meeting of 2023/24.</p> <p>Additional financial controls imposed by the serving of the Section 114 notice have delayed the appointment of the design team for the interchange work. This has a knock-on impact on the original design programme, with the submission of the planning application not timetabled until September/October 2023.</p> <p>The intention had been to ask the Board at its meeting in March 2023 to extend the timeline for submission of the updated Business Case. There is a risk that the Board</p>	Red		Red	<p>In order to avoid the removal of LGF funding, Thurrock Council are requesting an extension to the deadline for Business Case submission to reflect the revised design programme. It is proposed that the Business Case will be prepared in parallel with the planning application for the interchange and that a request for an extension to the deadline for consideration of the revised Business Case for the project will be presented at the June 2023 Board.</p>

Local Growth Fund – London Gateway/Stanford le Hope and Grays South Update Report

<p>could enact the decision of September 2022 to remove the LGF allocation from the project as the submission of the updated Business Case has been missed.</p>				
<p>Additional financial controls imposed by the serving of the Section 114 notice have delayed the appointment of the design team for the interchange work. This has a knock-on impact on the original design programme.</p> <p>Designs for Phase 2 of the project are being reviewed, with a preferred option due to be confirmed in due course. However, until this process is completed it is unclear what total project costs are and whether sufficient funding will be available.</p>	<p>Red</p>	<p>➔</p>	<p>Red</p>	<p>To expediate this the Council's Regeneration team have taken over the direct management of the design stage of the interchange works and have appointed Engineering Consultants, AECOM, to complete the design work. This appointment was conducted as per the process set out at Section 6 of this report. The designs will be reviewed with stakeholders and an agreed design costed and discussed with highway and planning colleagues, prior to an application being ready for submission in September/October 2023.</p>
<p>Increasing costs of project delivery due to further delays.</p>	<p>Red</p>	<p>➔</p>	<p>Red</p>	<p>Agreeing a way forward with Phase 2 will enable the team to confirm outline costs for this phase, whilst the information available from the previous work on Phase 1 can be updated using the building cost index.</p>

9. Overview of the Grays South project

- 9.1. The Grays South project forms part of the Grays South Regeneration Area (GSRA) scheme which consists of a number of interventions designed to support the economic and social vitality of Grays Town Centre. The LGF funding was specifically sought to support the creation of an underpass to replace the existing level crossing and for the creation of a public square at each end, designed to provide active urban spaces suited to a wide range of events, markets and similar activities.
- 9.2. It should be noted that a separate intervention within the GSRA scheme will bring forward new modern commercial/mixed use floorspace and residential units on land at either end of the new underpass. This work will not be funded through the LGF, but the benefits of the project will not be fully realised until these commercial and residential units have been constructed and are in use.
- 9.3. The Grays South project is intended to improve public safety, create a fully compliant and unimpeded route under the railway line, improve connectivity between different modes of travel within Grays Town Centre and to deliver high quality public realm. Key benefits of the project as set out in the original Business Case included:
 - 9.3.1. enabling delivery of 84 homes and 1,279 sqm of retail floorspace by 2025;
 - 9.3.2. supporting commercial development in Grays by creating a more attractive town centre and higher quality commercial space.
- 9.4. Further information on the project can be found in Appendix C.
- 9.5. The Grays South project has been awarded a total of £10.84m LGF to support delivery of the new underpass. This funding was awarded in two tranches, with the initial £3.7m awarded in February 2019 to enable further development of the project. The second tranche of £7.1m was awarded in November 2019 following submission of a Full Business Case.
- 9.6. In February 2022, the Board received an update on the delivery of the project. This update identified that the total project cost had increased from £28.7m (as set out in the Full Business Case considered by the Board in November 2019) to £37.9m.
- 9.7. Under the terms of the SELEP Assurance Framework, an increase in total project cost of this scale (prior to award of construction contract) must be approved by the Board. However, the scale of the cost increase also gave rise to concerns regarding the ability of the project to continue to offer High value for money as is required and therefore a revised Value for Money calculation was required before the Board could agree the increase in total project cost.
- 9.8. A revised Value for Money assessment was presented at the May 2022 Board meeting, and this concluded that the project continued to offer High value for money, with a revised BCR of 2:1. The original BCR as set out in the Full Business Case was 2.4:1 so, as would be expected, there has been a reduction in the BCR offered by the project. However, this reduction has been less significant than expected based on the outcome of the sensitivity testing presented in the Full Business Case.

10. Impact of Section 114 Notice on project delivery

10.1. The Section 114 notice includes a detailed review of major projects being commissioned by Thurrock Council in conjunction with the Commissioners and undertaken by Inner Circle Consulting to support them in challenging the current GSRA, which includes the Grays South project, including project costings, funding, procurement, resourcing and delivery approaches and project management to establish whether they are on track to achieve the expected outcomes whilst delivering best value. The review will consider whether the Grays South project in its current form is still the right one to pursue or whether the current design proposal should be either scaled back or delivered in a different form to achieve the same SELEP funding outputs, outcomes and benefits, whilst reducing further financial exposure to Thurrock Council.

11. Update on project delivery

- 11.1. Notwithstanding that the Grays South scheme was assessed as representing High Value for Money following completion of the updated Value for Money assessment referenced in Section 9.8 of this report, subsequent project reviews have identified significant concerns around budget, cost, programme and the affordability of the current scheme design.
- 11.2. Inner Circle Consulting have started a strategic review of regeneration priorities in Grays Town centre, undertaking a technical review of the background documentation. Interviews are currently taking place with number of strategic stakeholders, whose input is being sought on defining the strategic priorities. These stakeholders include Network Rail; c2c; New River Retail; Morrisons Supermarket; South Essex College; Thurrock Adult Community College (TACC); the Association of South Essex Local Authorities (ASELA); Grays Business Partnership; and key community and civic stakeholders.
- 11.3. Fundamental to the Inner Circle Consulting led review will be a consideration of both the scale and programming of the major capital projects in the town centre programme, including the Grays South scheme. The Grays South project was conceived in a different economic climate and assessed against a different appetite for risk. In the light of the Improvement and Recovery Plan, it will be important to ask whether the Grays South project in its current form is still the right one to pursue or if the current design proposal could be either scaled back or delivered in a different form to achieve the same SELEP funding outputs, outcomes and benefits, whilst reducing further financial exposure to Thurrock Council. Key to this engagement will be discussions with Network Rail and c2c on the current design, delivery and funding options.
- 11.4. A draft report of the findings from the Inner Circle Consulting review will be prepared by the end of March 2023 and will include recommendations on the current GSRA scheme. A verbal update on the status of the review will be provided during the meeting.
- 11.5. Whilst the review is ongoing, Thurrock Council has taken the decision to not commission any further design work beyond that already contracted through the GRIP 4 process. This will update on scheme design and costings for the current underpass element of the Grays South design. The GRIP4 report has been received as a partial draft from Network Rail. Thurrock Council have highlighted costings that will need to undergo cost reassurance by the Network Rail team, and this is expected to take another three weeks.
- 11.6. Work on determining the planning application will not proceed to a formal determination and further work on land acquisition and promoting any CPO will be paused until the result of the

Local Growth Fund – London Gateway/Stanford le Hope and Grays South Update Report

review by Inner Circle Consulting has concluded and the recommendations considered by funding stakeholders.

11.7. LGF spend on the project to date is set out in Table 3. LGF spend to date on the project is £5.48m, leaving £5.36m LGF being held by Thurrock Council.

Table 3: LGF Spend Breakdown

	2018/19 £(m)	2019/20 £(m)	2020/21 £(m)	2021/22 £(m)	2022/23 £(m)	2023/24 and beyond £(m)	Total
Local Growth Fund	0.00	3.66	0.83	0.65	0.34	5.36	10.84

12. RAG Rating Table

Table 4: RAG Risk Assessment

Risk	RAG rating (November 2022)	Change since last Board meeting	Current RAG rating (March 2023)	Progress & Actions
Risks previously highlighted were around planning permissions, land acquisition and publishing of the CPO to support this. However, with the intervention of Government, including appointment of Commissioners and publication of a Section 114 notice, leading to a review of the GSRA in its entirety has impacted timelines.	Red		Red	Following the conclusion of the review of the GSRA there will be a clearer understanding of the way forward and how the project will be delivered, including costs.
Statutory Undertakers – requirement to complete a GRIP stage 4 contract with Network Rail.	Green		Amber	The GRIP 4 report has only been received as a partial draft from Network Rail. Thurrock Council have highlighted costings that will need to undergo cost reassurance by the Network Rail team which will take another 3 weeks.
Project Budget/Cost – detailed design has not yet been completed and therefore there is a risk that project costs could rise.	Red		Red	The project is currently on hold, as set out in the report
Increased costs or a design review, which might change the scope of the project, either of which could impact on Value for Money and reduce the benefits expected in the original Business Case. This could risk the LGF allocation being removed from the project		N/A	Red	Ensure that the review establishes a way forward that secures the original benefits as well as retains a High Value for Money assessment

13. Next Steps

London Gateway/Stanford le Hope

- 13.1. Thurrock Council will bring a further report to the meeting in June 2023 which sets out:
- 13.1.1. progress on Phase 2 towards selection of an agreed option and confirmation of the timeline for the planning application;
 - 13.1.2. outline costs to deliver Phase 2;
 - 13.1.3. progress towards finalising Phase 1 of the project; and
 - 13.1.4. a timeline towards submission of an updated Business Case.

Grays South

- 13.2. Information from the Inner Circle Consulting review will be used in conjunction with the GRIP4 scheme design and costings to assess, as part of an internal gateway readiness project review of the scheme. The result of which will provide recommended changes to the current scheme design. Following this, further consultation will need to be undertaken with stakeholders.
- 13.3. It is proposed that a further report is brought before the Board in June 2023 which provides an indication of the initial findings of the ongoing review of the project,

14. SELEP Comments

- 14.1. This report seeks to provide an update on the delivery of the London Gateway/Stanford le Hope and Grays South projects and to explain the challenges currently being faced by Thurrock Council in progressing these projects.
- 14.2. Thurrock Council has written to the Government requesting exceptional financial support for the years 2022/23 and 2023/24 and it is understood that this is being considered, but is not yet confirmed. It would be expected that further information will be made available to SELEP as the conversations continue between the parties.

London Gateway/Stanford le Hope

- 14.3. Due to cost increases to the project, since the original LGF allocation was approved by the Board in February 2017, an updated Business Case has been requested. At the September 2022 meeting the Board were advised that although an updated Business Case had been submitted it could not be confirmed that the project met the requirements of Section V3.2 of the SELEP Assurance Framework. The Board agreed to:
- 14.3.1. Allow time for further work to be undertaken to strengthen the Business Case to ensure it secures a higher level of certainty following a further review by the Independent Technical Evaluator;
 - 14.3.2. Allow time for Thurrock Council to address and mitigate the risks to delivery of the project outlined in the report; and

- 14.3.3. Allow time for Thurrock Council to develop their plans for Phase 2 of the project enabling them to confirm that a full funding package is in place to deliver the full scope of the project as set out in the Business Case.

Noting that if these points were not adequately addressed in advance of the first Board meeting of 2023/24, the LGF funding would be removed from the project and would need to be returned to Essex County Council (as Accountable Body for SELEP) within 4 weeks by Thurrock Council for reallocation to alternative projects.

- 14.4. At the November 2022 meeting, the Board noted that Thurrock Council would be asking for an extension to the deadline for consideration of the revised Business Case for the project at the March 2023 meeting. Unfortunately, the March 2023 meeting was postponed and a request to extend the deadline was not possible. This meeting is now the first meeting of 2023/24.
- 14.5. Based on the decision taken at the September 2022 meeting if the Business Case was not submitted in time to be considered at this meeting, the LGF allocation would be automatically removed from the project and returned to SELEP for reallocation to alternative projects. However, the Board is asked to allow further time for Thurrock Council to provide a more realistic timeline for submission of the updated Business Case, due to the circumstances outlined in this report. It is expected that a revised timeline for Business Case submission will be provided at the June 2023 Board meeting.
- 14.6. At this meeting, the Board is asked to not automatically enact the reallocation of LGF in accordance with the decision taken at the September 2022 meeting and agree to an extension to the deadline for consideration of the revised Business Case for the project to be presented at the June 2023 Board.
- 14.7. Now that it has been confirmed that discussions with the Phase 1 contractor have ended, work on Phase 1 has been put on hold whilst attention is directed toward confirming a design and outline costs for Phase 2. The report suggests that submission of the planning application for Phase 2 is targeted for September/October 2023, this will allow work towards an updated Business Case to progress.
- 14.8. As set out in this report, the Directors Board have agreed to prioritise completion of the design work for Phase 2, and this is welcome news with regard to the benefits expected to be delivered as part of the original Business Case. It is expected that completion of this work will enable a better assessment of the funding that will be necessary to deliver the project. There does, however, remain a risk for the total project and progress will be closely monitored.
- 14.9. Thurrock Council have budgeted funding for this project in their medium-term financial plan albeit there is much work needed to define what funding will be required to deliver Phase 2. Costs for Phase 1 will be estimated using the information from the previous tender process. There is a concern that continued delays in procuring may add inflationary pressures to the project costs.
- 14.10. There are still many risks around the project and the updated Business Case will need to set out clearly how the benefits which were indicated in the original Business Case will be realised and that sufficient funding has been secured to ensure delivery.

Local Growth Fund – London Gateway/Stanford le Hope and Grays South Update Report

- 14.11. The financial information that has been supplied does reference that, of the £29.09m total project cost, spend to date accounts for £12.6m including the £7.5m LGF allocation. This means there is £16.5m available to deliver the whole project. If additional funding is sourced and costs increase, attention will need to be given as to how this has affected the Value for Money and BCR offered by the project.
- 14.12. SELEP will also be seeking assurances from Thurrock Council about how the LGF funding has been utilised and whether it continues to meet the funding conditions, as part of the Business Case submission.
- 14.13. In the meantime, SELEP will continue to engage regularly with Thurrock Council officers to understand the status of the project and to discuss the optimum timeline for preparation and submission of the revised Business Case.

Grays South

- 14.14. The update in this report advises that the project has been put on hold whilst a review of the GSRA scheme is undertaken. It is also noted that the GRIP 4 work has only been received as a partial draft from Network Rail. Further work will need to be undertaken and included in the update at the June 2023 Board meeting.
- 14.15. No further updates have been provided about the review being conducted by Inner Circle Consulting and clearly the costings from the GRIP4 work will be required to help inform this review and ongoing discussions with stakeholders.
- 14.16. The report does suggest that the project in its' current form may not be the correct one to pursue, or that it could be scaled back, in order to reduce further financial exposure to Thurrock Council. To this end, discussions are taking place between Network Rail and c2c (the rail operator) around potential options. Key to any changes will be the delivery of the benefits that were part of the original Business Case.
- 14.17. The project has experienced delays and cost increases which have been relayed to the Board, including a review of the Value for Money offered by the project in May 2022, which demonstrated that the project still offered High Value for Money, but the BCR had fallen to 2:1 which is on the limit of what is acceptable under the requirements of the Assurance Framework. This means that the project is susceptible to further cost increases which would have an effect on the Value for Money and BCR. When further information is available around the way forward consideration will be given to whether further analysis of the Value for Money offered by the project is necessary.
- 14.18. Thurrock Council will provide a further update on the project at the June 2023 Board meeting. This will include an update on the progress of the current review process, providing an indication of the initial findings of the ongoing review of the project.
- 14.19. As set out in Table 3, £5.48m LGF has been spent by the project to date, leaving £5.36m held by Thurrock Council.
- 14.20. It is noted that the project has been put on hold by Thurrock Council whilst the review is ongoing. The Board is recommended to put spend of the remaining £5.36m LGF, held by Thurrock Council, on hold due to the deliverability and affordability concerns outlined in this

report. It is recommended that LGF spend should remain on hold until it can be demonstrated that the project continues to comply with the requirements of the Assurance Framework.

14.21. If changes to the project result in higher costs or reduced outputs/outcomes or benefits, it is expected that an updated assessment of the project will be required. This may take the form of either an updated Value for Money assessment or an updated Business Case depending upon the scale of the change being implemented.

15. Financial Implications (Accountable Body comments)

- 15.1. There continue to be a number of challenges to completion of these projects; the further extended timelines may give rise to additional costs, that could put the associated value for money assessments at risk as well as delays in realising the potential benefits associated with the projects.
- 15.2. In addition to the specific challenges outlined in this report, the Board should be aware of wider risks to delivery due to difficulties experienced by projects as a result of Brexit, COVID-19, the current economic uncertainty and inflation challenges.
- 15.3. To retain awareness of these risks and the extent to which they are being mitigated, the Board is advised to keep under review the delivery progress of these projects and to take this into account with regard to any future decisions made with respect to the funding associated with the project.
- 15.4. 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.
- 15.5. All LGF in respect of these projects has been transferred to Thurrock Council, as the Project Lead Authority; the funding has been transferred under the terms of a Service Level Agreement (SLA), which makes clear that funding can only be used in line with the agreed terms. The SLA also makes clear that it is the responsibility of Thurrock Council to secure any additional funding required should costs exceed those set out in the agreed business case.
- 15.6. Through discussions with Thurrock Council, the Accountable Body will be seeking further assurances that the spend incurred on the projects to date remains eligible spend under the terms of the SLAs in place and that any revised proposals for the projects are fully funded to ensure deliverability. Until these points are fully addressed, the Accountable Body supports placing the remaining LGF allocated in respect to the Grays South project on hold; and these assurances will inform retention of the LGF funding allocation to the revised business case for the Stanford le Hope Project, that is due to be considered at a future meeting of the Board.
- 15.7. The SLA with Thurrock Council sets 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.

16. Legal Implications (Accountable Body comments)

16.1. The funding is administered in accordance with the SLA's in place between Essex County Council, as Accountable Body for SELEP, SELEP Ltd and the Project Lead Authority. The SLA contains provisions that permit the Board to take a decision to require funding to be repaid (either in all or in part) if the Project Lead Authority fails to deliver the project in accordance with the business case, a project is changed and the Board decline to agree the change or if the project can no longer meet the grant conditions.

17. Equality and Diversity Implications

17.1. 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:

17.1.1. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act.

17.1.2. Advance equality of opportunity between people who share a protected characteristic and those who do not.

17.1.3. Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

17.2. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.

17.3. 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.

18. List of Appendices

18.1. Appendix A - London Gateway/Stanford le Hope Project Background information

18.2. Appendix B – Timeline of Government Intervention at Thurrock Council

18.3. Appendix C - Grays South Project Background information

(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)

Role	Date
Accountable Body sign off Michael Neumann (on behalf of Nicole Wood, S151 Officer, Essex County Council)	05/04/2023

Appendix A – LGF Project Background Information

Name of Project	London Gateway/Stanford Le Hope Thurrock Council
Local Growth Fund allocation	£7.5m (awarded February 2017)
Description of what Project delivers	<p>On the north banks of the Thames Estuary in Stanford-le-Hope, Essex, London Gateway is the U.K's newest and most technologically advanced deep sea container port catering for global shipping. Once fully developed, London Gateway shall comprise six deep sea shipping berths alongside the logistics park. The London Gateway Logistics Park offers convenient, modern warehousing space on a campus the size of 400 football pitches, the largest of its kind in Europe, with 9.25 million sq ft of available warehousing space. Adjoining the London Gateway port, the Thames Enterprise Park project aims to refurbish part of the closed Coryton oil refinery. This will provide over 3.7 million sq. ft of development space for manufacturing, energy and logistics operations creating new jobs for the local area.</p> <p>In total, London Gateway and the Thames Enterprise Park are anticipated to generate approximately 18,982 direct jobs (on-site) with a further 14,183 indirect jobs created within supply chains. (Source – Thurrock Council).</p> <p>Currently, three port berths are operational at London Gateway, however DP World announced in September 2021 that works were to begin on a new fourth berth to increase supply chain resilience and create more capacity for the world's largest vessels.</p> <p>DP World London Gateway is remote from the Thurrock Urban Area and accessibility will be an issue for prospective employees without access to a car. Ensuring a sufficient labour supply and good job/skills matching will be critical for not only realising the growth but sustaining the jobs in the long term by maximising productivity. It is therefore necessary to ensure that high quality accessibility is provided by non-car means through better bus facilities in Stanford-le-Hope and high-quality rail/bus integration to attract employees. In addition, good quality passenger transport facilities and bus/rail integration will be necessary to achieve the modal split targets for the development.</p> <p>Since the original business case submission in 2017, the Thames Freeport has been created in December 2021, this is an economic zone connecting Ford's Dagenham engine plant to the global ports at London Gateway and Tilbury. The Freeport can secure more</p>

than £1 billion in new port infrastructure and more than 21,000 new direct and indirect jobs on its estate.

The original business case scope included a new multi-modal Interchange on the station forecourt though this did not proceed due to feasibility and cost constraints. An alternative multi-modal interchange is being considered on the opposite side of London Road in the existing station car park and land adjacent to it.

This included car passenger drop off positions, taxi rank positions, 84 secure cycle parking spaces, 2 drop off positions and 1 pickup position for a bus with waiting facilities.

Due to the complexities of delivery the project as set out in the Business Case has been split into 2 phases:

Phase 1 - Station buildings – The development of new station buildings providing the following key facilities to support passenger growth.

- Modular canopy structures covering prefabricated station buildings
- Passenger toilets
- Commercial retail facility
- Widened Platform 1
- Passenger footbridge with lifts
- Level access from London Road to both station buildings and to the platforms
- Real-time Customer Information System

Phase 2 - Mobility Hub and Shuttle Bus

A new mobility hub is to be constructed on the opposite side of London Road to the station, integrated into the existing station car park and adjacent vacant Council owned site. The new hub is to include the following key facilities to support transport interchange:

- 84 secure cycle parking spaces
- Provision for electric pedal bike hire scheme and charging points
- Car passenger drop off positions
- Bus interchange capacity
- Taxi rank positions

Initial feasibility studies have identified a number of space and traffic issues that will need to be addressed in the design process to accommodate the integration of the dedicated DP World shuttle bus stop into the mobility hub design. It is anticipated that the future

	integration of the adjacent development sites will provide a long-term design solution.
Project benefits	<p>The scope of the project is to provide new station buildings including a footbridge with lifts, mobility hub on London Road opposite the station including and a dedicated DP World shuttle bus stop, that will:</p> <ul style="list-style-type: none"> • Provide a mobility hub and dedicated shuttle bus interchange to support the existing London Gateway Travel Plan and future Thames Enterprise Park Travel Plan. • Provide additional passenger capacity at the station to accommodate local growth in jobs and housing • Provide a new station building that improves the perceptions of Stanford-le-Hope station
Project constraints	<ul style="list-style-type: none"> • Contract negotiations for Phase 1 have failed to secure a contractor. • Planning Permission is not in place for all elements of the project (Phase 2). • Work is ongoing to confirm that a full funding package is in place. • An updated Business Case is required to confirm that the Project continues to offer High Value for Money and that delivery of benefits as set out in the original Business Case remains realistic, following a substantial increase in project costs. An updated Business Case was provided but, based on the information provided, the ITE was unable to assure that the project continues to offer High value for money. • A request to provide a timeline for the revised Business Case at the June 2023 is being presented to this meeting
Link to Project page on the website with full Business Case	https://www.southeastlep.com/project/london-gateway-stanford-le-hope/

Appendix B – Timeline of Government Intervention at Thurrock Council

This appendix gives some additional detail around the process that has taken place since the Secretary of State announced that he had appointed Essex County Council as Commissioners for Thurrock Council.

Timeline of Government Intervention

Date	Intervention
2 September 2022	The Secretary of State announced that after due consideration he was using his powers under the Local Government Act 1999 to intervene at Thurrock Council. Essex County Council were appointed to the role of Commissioner and powers were granted to them to oversee the financial functions of Thurrock Council. Alongside this work Essex County Council were appointed as Best Value Inspector in order to assess whether there was best value failure in other functions of the Council.
3 December 2022	An Improvement and Recovery Plan, developed by Thurrock Council and the Commissioners, was submitted to Government.
5 December 2022	The Commissioners submit their first report to the Secretary of State
13 December 2022	The Commissioners submitted a letter to central Government which contained key findings and recommendations from the work undertaken so far and requested additional time to complete their final report.
14 December 2022	It was agreed that the Best Value Inspection team from Essex County Council would have more time to complete their report.
19 December 2022	Thurrock Council issues Section 114 notice.
9 January 2023	Thurrock Council Extraordinary Council meeting to discuss the Section 114 notice.
17 January 2023	Thurrock Council write to Secretary of State to request exceptional financial support in respect of 2022/23 and 2023/24 budget. The request to be considered is: <ul style="list-style-type: none">• 2022/23 - £452.491m• 2023/24 - £180.17m The letter also included an indication that support would be required for future years beyond 2023/24.
24 January 2023	Following consideration of documentation submitted by the Commissioners, the Secretary of State was satisfied that it was right to expand the intervention, in order to prevent further best value failure. On the 24 January 2023, the Under Secretary of State for Local Government and Building Safety announced that the Secretary of State was considering further exercising his powers of direction in the 1999 Act to expand the intervention. The changes proposed centred on the need to expand the scope of the Commissioners existing

	<p>powers, which were previously limited to oversight of the financial function.</p> <p>The proposed expansion to the intervention package gives the Commissioner's powers over the Authority's governance and staffing functions. In order to conduct improvement and transformation work the Secretary of State was also minded to appoint a Managing Director Commissioner, independent of the existing Commissioner Essex County Council, to the intervention team.</p>
7 February 2023	<p>Thurrock Council were able to make representations and, on the 7 February 2023, representations were forwarded to Government. They included support for the Governments proposed directions and welcomed the support provided by Essex County Council, as Commissioner. It also included a request to ensure that sovereignty was retained and decision making remained in Thurrock, to avoid challenges previously experienced by other authorities in intervention.</p> <p>Thurrock Council accepted the findings of the Best Value Inspection update letter and suggested that many of the areas within the update had been included in the Authority's recovery plans. Other individuals and local groups also provided their observations.</p>
17 February 2023	<p>Best Value Report submitted to Government. The report will be published in due course.</p>
1 March 2023	<p>Secretary of State replied to Thurrock Council's letter of 17 January 2023.</p> <p>It confirmed that consideration was being given to the request for exceptional financial support, but that this did not constitute a capitalisation direction.</p> <p>The letter referenced Thurrock Council's indication for additional support in years beyond 2023/24 but noted this was beyond the current Local Government Finance Settlement period.</p>
16 March 2023	<p>Ministerial Statement issued expanding the intervention to implement changes and the appointment of Dr Dave Smith as Managing Director Commissioner. This role commenced on 20 March 2023 and will run through to 15 March 2025 and includes oversight of Thurrock Council's finance function, governance and staffing functions.</p> <p>The Managing Director Commissioner fulfils the role of a Chief Executive for the Authority and is responsible for day-to-day operations. It is expected that the role will provide strategic direction and leadership until a Chief Executive appointment can be made.</p>

	The Managing Director Commissioner uses their independent position to provide advice and guidance to the Authority on matters pertaining to infrastructure or regeneration projects in the local area, it will also include discussions and negotiations on the expression of interest submitted to DLUHC in respect of wider devolution in Essex.
June 2023	Commissioners to provide their second report, which will be an opportunity to further assess the scale of the leadership, financial, and managerial challenges faced by the Council.

Section 114 Notice

Within the Local Government Finance Act 1988, Section 114 (3) it dictates that: “The Chief Finance Officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure”. In general terms this means that for Local Government, it is the Chief Finance Officer (CFO) or Section 151 officer who has the role under law of being the most senior financial advisor to the wider Council’s leadership on its financial plans. Uniquely across the public sector, however, the CFO also has the power and responsibility to legally suspend spending for a period of time if they judge the Council does not have a balanced budget or the imminent prospect of one.

When a Section 114 notice is issued it means that no new expenditure is permitted, with the exception of that funding statutory services, including safeguarding vulnerable people, however existing commitments and contracts will continue to be honoured. Council officers must therefore perform their duties in line with contractual obligations and to acceptable standards, while being aware of the financial situation. Any spending that is not essential or which can be postponed should not take place and essential spend will be monitored. The only allowable expenditure permitted under an emergency protocol would include the following categories:

- existing staff payroll and pension costs
- expenditure on goods and services which have already been received
- expenditure required to deliver the council’s provision of statutory services at a minimum possible level
- urgent expenditure required to safeguard vulnerable citizens
- expenditure required through existing legal agreements and contracts
- expenditure funded through ring-fenced grants
- expenditure necessary to achieve value for money and/or mitigate additional in year costs

How it affects Thurrock Council

Thurrock Council's current financial position is complex but by working alongside the Commissioners (Essex County Council), The scale of the financial challenges faced has been determined. This means that the Council faces a significant budget gap in 2022/23 and cannot set a balanced budget in 2023/24, without seeking support from Government.

To help unlock this, the Council issued a Section 114 Notice. As noted above this is a procedural process that gives formal notice of the need to, and ability to, enter into informed and detailed discussions with Government about a bespoke package of exceptional financial support, as the Council seeks to balance the budget and to make progress towards a more sustainable financial future. However, the issuing of the Section 114 notice requires the Council to implement close monitoring to manage expenditure and limits the Council to only acting on spend deemed essential to the delivery of its prioritised services and delivery of agreed projects.

Thurrock Council have approached central Government for exceptional financing as set out in the Table above. However, although the reply stated that the Government were minded to consider the request this is subject to confirmation.

Appendix C – LGF Project Background Information

Name of Project	Grays South Thurrock Council																													
Local Growth Fund (LGF) allocation	Date of Award		Amount (£m)																											
	February 2019		3.7																											
	November 2019		7.1																											
	Total		10.8																											
Project Background	<p>The Project forms part of the Grays South Regeneration Area (GSRA) scheme which consists of a number of interventions designed to support the economic and social vitality of Grays Town Centre. The LGF funding was specifically sought to support the creation of an underpass to replace the existing level crossing and for the creation of a public square at each end, designed to provide active urban spaces suited to a wide range of events, markets and similar activities.</p> <p>It should be noted that a separate intervention within the GSRA scheme will bring forward new modern commercial/mixed use floorspace and residential units on land at either end of the new underpass. This work will not be funded through the LGF, but the benefits of the Project will not be fully realised until these commercial and residential units have been constructed and are in use.</p>																													
Current Planning Applications	Currently all planning proposals are on hold.																													
Delivery Milestones	The project is currently on hold a revised programme will be required at a future date.																													
Project Costs	<p><i>Breakdown of funding sources (£m)</i></p> <table border="1"> <thead> <tr> <th rowspan="3">Project Name</th> <th colspan="6">Budget</th> </tr> <tr> <th rowspan="2">Total project cost (£m)</th> <th rowspan="2">LGF allocation (£m)</th> <th colspan="4">Other funding sources (£m)</th> </tr> <tr> <th>Local Authority</th> <th>Other public sector</th> <th>Private Sector</th> <th>Third Sector</th> </tr> </thead> <tbody> <tr> <td>Grays South</td> <td>40.42</td> <td>10.84</td> <td>26.43</td> <td>1.40</td> <td>0.00</td> <td>1.75</td> </tr> </tbody> </table> <p>This breakdown is subject to further information due to be provided at the next Board meeting in June 2023.</p>						Project Name	Budget						Total project cost (£m)	LGF allocation (£m)	Other funding sources (£m)				Local Authority	Other public sector	Private Sector	Third Sector	Grays South	40.42	10.84	26.43	1.40	0.00	1.75
Project Name	Budget																													
	Total project cost (£m)	LGF allocation (£m)	Other funding sources (£m)																											
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Grays South	40.42	10.84	26.43	1.40	0.00	1.75																								
Project benefits	<p>The Project will improve public safety, create a fully compliant and unimpeded route across the railway line, improve connectivity between different modes of travel within Grays Town Centre and will deliver high quality public realm.</p> <p>Key benefits of the Project include:</p>																													

	<ul style="list-style-type: none"> enabling delivery of 84 homes and 1,279 sqm of retail floorspace by 2025; supporting commercial development in Grays by creating a more attractive town centre and higher quality commercial space.
Project constraints	<ul style="list-style-type: none"> Currently subject to a review as part of the Section 114 notice issued in December 2022. Cost increases, although the costs provided include a 30% risk uplift and 20% Network Rail contingency pot. The project involves the acquisition of property and land which could extend the project timeline. Planning consent is required for the planned works. The project is dependent on progression through the GRIP process with Network Rail. The project has been put on hold by Thurrock Council whilst a review is undertaken. As a result of delays the Board are asked to agree to put LGF funding on hold until further information around project delivery is confirmed by Thurrock Council. Subject to the current review of the Project an updated Business Case or Value for Money assessment is likely to be required.
Link to Project webpage	https://www.southeastlep.com/project/grays-south/