

<b>Report to Accountability Board</b>	<b>Forward Plan reference number:</b> FP/AB/130
<b>Date of Accountability Board Meeting:</b>	<b>23<sup>rd</sup> February 2018</b>
<b>Date of report:</b>	<b>20<sup>th</sup> January 2018</b>
<b>Title of report:</b>	<b>A289 Four Elms Roundabout</b>
<b>Report by:</b>	<b>Rhiannon Mort, SELEP Capital Programme Manager</b>
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## **1. Purpose of report**

- 1.1 The purpose of this report is to make the Accountability Board (the Board) aware of the value for money assessment for the amended A289 Four Elms Roundabout to Medway Tunnel Journey Time and Network Improvements Project (the Project).
- 1.2 The Project has previously been approved by the Board but a revised Business Case has been prepared for the Project owing to the substantial change to the Projects scope from a road bypass scheme to junction improvements.
- 1.3 The revised Project has been through the Independent Technical Evaluator (ITE) review process. The ITE report sets out the detailed analysis of the Project. This report is included in Appendix 1, of Agenda Item 5.

## **2. Recommendations**

- 2.1 The Board is asked to:
  - 2.1.1 **Approve** the change of Project of scope from a road bypass scheme to junction improvements. The revised Project has been assessed as presenting high value for money with high certainty of value for money being achieved.
  - 2.1.2 **Approve** spend of up to £3.5m Local Growth Fund (LGF) on the development of the Project in advance of the full Business Case being approved by the Board.
  - 2.1.3 **Note** the intention to develop a Full Project Business Case to be considered by the Board for the remaining £7.6m LGF allocation to the Project.

### **3. A289 Four Elms Roundabout to Medway Tunnel Journey Time and Network Improvements Project**

- 3.1 The Project focuses on a section of the A289 corridor which links the M2 Junction 1 with the Medway Tunnel. The A228 is the sole route linking the Hoo Peninsula with Strood. The A289 connects with the A228 at the Four Elms roundabout, which is a key traffic interchange in Medway.
- 3.2 The Hoo Peninsula has been identified as an area of growth in the emerging Medway Local Plan. Due to the limited transport infrastructure available to the residents of the Hoo Peninsula, any growth in the area will have an immediate and direct impact on traffic flows on the A289.
- 3.3 Currently the route is used by approximately 5,000 vehicles per hour in the peak periods. There are two key points along the corridor which cause significant delays for traffic using the route – the Four Elms roundabout and the Sans Pareil roundabout.
- 3.4 The aim of the Project is to provide a highway network between the M2 Junction 1 and the Medway Tunnel which can cater for the likely housing growth on the Hoo Peninsula that has been identified in the emerging Local Plan. In doing so, the Project will support the delivery of 5,284 new homes and 9,628 new jobs.
- 3.5 The Project will offer improved journey time reliability, reduced journey times (through reducing delays) and improved journey quality for all modes of travel including pedestrians and cyclists. The reduction in delays will also contribute to an improvement in air quality, which is particularly important given that Four Elms Hill, which leads to Four Elms roundabout, falls within an Air Quality Management Area.
- 3.6 The specific interventions to be delivered through LGF investment in the Project include:
  - 3.6.1 Increased capacity and full signalisation (including pedestrian crossing facilities) at Four Elms roundabout;
  - 3.6.2 Free flow slip road from Wainscott Bypass to Four Elms Hill;
  - 3.6.3 Additional lanes on Wulfere Way between Sans Pareil and Four Elms roundabout;
  - 3.6.4 Free flow slip road from Frindsbury Hill to Wulfere Way;
  - 3.6.5 Realignment of Wainscott Road junction (from Sans Pareil roundabout to Frindsbury Hill);
  - 3.6.6 Additional exit lane onto Berwick Way for right turning traffic; and
  - 3.6.7 Enforced reduced speed limit along the entire route.

### **4. Previous Funding Decision by the Board**

- 4.1 The Project was originally approved by SELEP Strategic Board in March 2015, prior to the Accountability Board being established. This funding decision

awarded £11.1m LGF towards a large scale scheme, comprising a large bypass road scheme to realign the A289, with a total Project cost of £18.697m.

- 4.2 The Project was to be supported by £7.129m local S106 funding from the Lodge Hill site. However the decision by Medway Council to award planning approval to the development was called in by the then Secretary of State for the Department for Communities and Local Government (now the Ministry of Housing, Communities and Local Government). Subsequently, the developers have withdrawn the planning application and as such, the S106 contribution to the Project is no longer forthcoming.
- 4.3 Accordingly, without S106 contribution being available, a scaled back and lower cost proposal for the Project has been developed to fit with the available funding.
- 4.4 It is proposed that the bypass road scheme is replaced within the new proposal to increase highway capacity through the delivery of the interventions set out in paragraph 3.6 above.
- 4.5 The revised Project still seeks to achieve the Project benefits in tackling congestion to unlock development on the Hoo Peninsular and part of Medway City.
- 4.6 Whilst the delivery of 5,000 homes at the Lodge Hill site is no longer forthcoming, alternative sites are being considered within Medway Council's Local Plan. The delivery of the Project is required to support the delivery of residential and employment at the alternative sites within Medway.

## **5. Project Funding**

- 5.1 The revised total Project cost is £11.564m, which includes £1.6m LGF spend on the Project to date. This spend by Medway Council has been incurred following the Board approval of the original scheme in March 2015.
- 5.2 Medway Council have confirmed that this initial spend on the Project is not an abortive cost and supports the delivery of the Project which is now being taken forward.
- 5.3 Medway Council have been able to secure smaller scale S106 contributions from other development sites. These S106 contributions including £0.202m from Liberty Park and £0.262m from Damhead Creek Power Station. The profile of this funding breakdown is set out in Table 1 below.

**Table 1 Project Funding breakdown (£m)**

£m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
SELEP LGF sought	0.500	1.100		1.601	4.000	3.899	<b>11.100</b>
S106 – Liberty Park	0.142	0.060					<b>0.202</b>
S106- Damhead Creek Power Station				0.262			<b>0.262</b>
<b>Total funding requirement</b>	<b>0.642</b>	<b>1.160</b>		<b>1.863</b>	<b>4.000</b>	<b>3.899</b>	<b>11.564</b>

## **6. Outcome of ITE Review**

- 6.1 An ITE assessment of the Project Business Case was undertaken for the original larger scale scheme proposal, which demonstrated that the Project presented high value for money, with a Benefit Cost Ratio (BCR) value of 4.1:1.
- 6.2 A review of the amended Outline Business Case has been completed for the revised Project, through the Gate 1 and Gate 2 process. The review has confirmed that the revised Project achieves very high to value for money with a high certainty of achieving this, with a BCR value of 10.2:1.
- 6.3 The economic appraisal which has been undertaken for the Project is compliant with the Department for Transport (DfT) WebTAG guidance, for the appraisal of transport projects. In part, it is expected that the increase in the BCR value for the Project, relative to the original scheme, is likely to be the result of changes to the DfT WebTAG guidance since the previous business case was prepared for the project.
- 6.4 As the LGF allocation to the project is over the £8m threshold, a full Business Case is expected to come forward following the completion of detailed costings and design work, to ensure that the project cost has not escalated and that the value for money remains high. The full Business Case is currently scheduled to be considered by the Board in 2019/20.
- 6.5 In advance of the full final funding decision by the Board, the Board is asked to approve the award of £3.5m LGF to the revised Project. This includes the £1.6m LGF which has been spent on the Project to date, along with £2m LGF to support the further development of the Project, including the development of the planning application, land acquisition and detailed design work, in advance of the full Business Case being brought forward.

## **7. Compliance with SELEP Assurance Framework**

- 7.1 Table 2 below considers the assessment of the Business Case against the requirements of the SELEP Assurance Framework.

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

**Table 2 Assessment of the Business Case against the requirements of the SELEP Assurance Framework**

Requirement of the Assurance Framework to approve the project	Compliance (RAG Rating)	Evidence in the Business Case
A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan	Green	<p>The outline business case identifies the current problems and why the scheme is needed.</p> <p>The objectives presented align with the objectives identified in the Strategic Economic Plan.</p>
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account	Green	<p>The expected project outputs and outcomes are set out in the outline Business Case and detailed in the economic case.</p> <p>The ITE review confirms that Transport Users Benefits Appraisal (TUBA) has been used to assess the expected outputs and outcomes of the intervention following WebTAG guidance.</p>
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)	Green	<p>The ITE questioned the deliverability and experience of the team during the initial review. Following the resubmission of the outline business case this demonstrates clear experience in delivering similar schemes and team with experience in delivering highway schemes.</p>
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions	Green	<p>A BCR has been calculated as 10.2:1, which indicates very high value for money.</p>

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

- 8.1 The £3.5m that is being requested now in advance of Full Business Case (FBC) sign off will be paid on the basis that it will need to be repaid should the FBC not receive approval by Accountability Board when it is submitted for consideration. Medway Council will bear the risk of having to fund these abortive costs.
- 8.2 Any funding agreed by the Accountability Board is dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations beyond 31<sup>st</sup> March 2018 are yet to be confirmed, however, funding for this project is included in the indicative LGF Programme allocations provided by HM Government for future years.
- 8.3 In considering allocating funding to this project, the Board should take into account the following:
  - 8.3.1 The significant amount of slippage within the overall programme previously reported to Accountability Board in December 2017, this is currently forecast to be £39m by the end of 2017/18; this presents a programme delivery risk due to the increased proportion of projects now due to be delivered in the final years of the programme; and it presents a reputational risk for SELEP regarding securing future funding from Government where demonstrable delivery of the LGF Programme is not as expected.
  - 8.3.2 There is a LGF funding profile risk in 2019/20; whilst there is sufficient funding for all LGF projects across the duration of the programme, in 2019/20 there is currently a funding gap of £11.5m (including the requirements of this project); it is noted that this risk is being carefully monitored by the SELEP Capital Programme Manager with potential options for mitigation being considered.
- 8.4 There are SLAs in place with the sponsoring authority which makes clear that future years funding can only be made available when HM Government has transferred LGF to the Accountable Body.

## **9. Legal Implications (Accountable Body comments)**

- 9.1 There are no legal implications arising out of this decision.

## **10. Staffing and other resource implications (Accountable Body comments)**

- 10.1 None at present.

## **11. Equality and Diversity implication**

11.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when a public sector body makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not.
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

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

11.3 In the course of the development of the project business case, the delivery of the Project and their ongoing commitment to equality and diversity, the promoting local authority will ensure that any equality implications are considered as part of their decision making process and were possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

## **12. List of Appendices**

12.1 Appendix 1 - Report of the Independent Technical Evaluator (As attached to Agenda Item 5).

## **13. List of Background Papers**

- Business Case for A289 Four Elms Roundabout to Medway Tunnel

**(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>	
Lorna Norris	14/02/18
(On behalf of Margaret Lee)	