

Appendix 1 - A289 Four Elms to Medway Tunnel Journey Times and Network Improvements project update

1. Purpose of report

- 1.1. To update the SELEP Accountability Board (the Board) on the latest position on the A289 Four Elms to Medway Tunnel Journey Times and Network Improvements project.

2. Recommendations

- 2.1. **Note** the project update.

3. Project Background

- 3.1. The objective of the A289 project is to deliver highway capacity improvements in order to provide journey time savings and reduced congestion.
- 3.2. The project had an initial budget of £18.697m consisting of £11.1m Local Growth Fund and £7.597m from S106 contributions (including £7.129m from Lodge Hill). The Secretary of State for Communities and Local Government (DCLG) took the decision to call in the Lodge Hill planning application. As a result the application will now not be determined until an inquiry takes place during 2018. This means that the S106 contribution from Lodge Hill will now not be available during the lifetime of this project.
- 3.3. The original proposals for the project included enlarging all three roundabouts along the route, installing footbridges to eliminate at-grade crossings and introducing bus lanes. Following the delay with Lodge Hill efforts were made to scale back the project proposals to ensure they could be delivered within the now significantly reduced budget, whilst still offering the benefits detailed in the Business Case. A Project Change Request was submitted to Accountability Board in October 2016 which outlined the proposed action to be taken.

4. Current Position

- 4.1. The 'scaled back' project has been designed to RIBA stage 3 and a planning application submitted for consideration by Planning Committee.
- 4.2. Prior to Planning Committee determining the application a review of estimated construction costs was conducted. This review highlighted a fairly significant shortfall in funding required to deliver the scheme, making the proposed scheme undeliverable. This is, in part, as a result of increasing land costs and significant utility diversions that would be required in order to deliver the proposals.
- 4.3. There was also concern regarding the deliverability of the scheme within the agreed funding period. This was due to complexities with the construction process, network sensitivities, the need for off-peak working and uncertainty regarding the duration of the land acquisition process. As a result an extension to the end of 2019/20 has previously been agreed.

5. Next Steps

- 5.1. The justification for the project remains as strong as when the original Business Case was prepared. Although the Lodge Hill development has been delayed it is anticipated that there

will be significant housing development on the Hoo Peninsula. Work is required to alleviate the existing congestion on the A289 in order to facilitate this future development.

- 5.2. Whilst the objectives of the project remain the same it is clear that the scale of the works needs to be considerably reduced in order to allow delivery in accordance with the reduced budget of £11.568m. A consultant has been appointed to draw up some high level proposals for the scheme, which can be delivered within budget. The suitability of each of the proposals, both in terms of deliverability and practicality has been considered by officers.
- 5.3. Following a sift of the high level options proposed by the consultant modelling of the remaining proposals has been requested. This modelling will show which of the options is the most viable in terms of meeting the project objectives of reducing journey times, offering greater journey time reliability and reducing congestion. The results of the modelling will feed into the Benefit Cost Ratio (BCR) calculations within the Business Case.

5.4. Business Case process

- 5.4.1. When the change request regarding the reduction in budget for the project was discussed at the Accountability Board meeting on 18th November 2016 it was agreed that a revised Business Case should be submitted for consideration by Accountability Board. To date this Business Case has not been submitted.
- 5.4.2. It has now been agreed that a revised Outline Business Case will be submitted for consideration before the end of the 2017/18 financial year. Approval of this Business Case would release the funding required to further develop the scheme (up to and including procurement of the contractor). It is anticipated that this Business Case will be submitted for consideration at the February 2018 Accountability Board meeting.
- 5.4.3. A Full Business Case will be submitted once a contractor has been appointed, and there is greater certainty regarding both construction costs and the benefits offered by the scheme. Approval of this Business Case would release the funding required to construct the final scheme. It is expected that this Business Case will be submitted during the 2019/20 financial year (subject to confirmation).

5.5. Programme

- 5.5.1. The project is currently programmed for completion by the end of March 2020. However, it is likely that a further year will be required to ensure that the project can be delivered in its entirety and to a high quality.
- 5.5.2. It is expected that this extension will be required despite the reduction in scale of the project and therefore likely reduced construction period. The primary reasons for this extension are:
 - Uncertainty regarding the duration of the land acquisition process. All options being considered require the acquisition of land. Whilst acquisition by negotiation will be the preferred option, it is likely that a CPO will be required to acquire some of the land, adding significant uncertainty to the programme for this work stream.
 - Additional design work will be required to progress the selected option adding time to the programme.

5.5.3. An amended spend profile has been developed which takes into account the additional year:

2015/16	2016/17	2017/18					2018/19	2019/20	2020/21	Total
£m		Q1	Q2	Q3	Q4	Total				
0.298	0.402	0.019	0.130	0.150	0.201	0.500	2.001	4.000	3.899	11.1

It should be noted that this spend profile is currently very high level and will be refined as the project progresses. Whilst spend is shown for each quarter for 2017/18 it has been agreed that no further funding will be drawn down from SELEP until the revised Outline Business Case has been approved by Accountability Board.

5.5.4. As the LGF funding period ends at the close of the 2020/21 financial year, the project programme will include a minimum of three months float to significantly reduce the risk of project overrun.

5.6. Spend to date

5.6.1. At the end of the 2016/17 financial year LGF spend on the project totalled approximately £700,000.

5.6.2. Medway Council's finance team have indicated that they are satisfied that the spend to date can be capitalised and directly linked to the proposed scheme. These costs will be reflected in the revised Outline Business Case.

6. Project Risk

6.1. Until the revised Outline Business Case has been approved by Accountability Board and a clear way forward with the scheme identified the project will be shown as medium risk in all project updates. As the project progresses this risk level will be reviewed and amended as appropriate.

7. Background Documents

7.1. Accountability Board Report 18th November 2016