

**Forward Plan reference number:** FP/AB/147

<b>Report title:</b> Maidstone Integrated Transport Package Phase 2	
<b>Report to Accountability Board</b>	
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<b>Date:</b> 15 <sup>th</sup> June 2018	<b>For:</b> Decision
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<b>SELEP Partner Authority affected:</b> Kent	

## 1. Purpose of Report

- 1.1 The purpose of this report is to make the Accountability Board (the Board) aware of:
- 1.1.1 The latest position in relation to the delivery of Maidstone Integrated Transport Package (the Project) Phase 1; and
  - 1.1.2 The value for money assessment for the Phase 2 Project (the Project) which has been through the Independent Technical Evaluator (ITE) review process, to enable £2.7m Local Growth Fund (LGF) to be devolved to Kent County Council for Phase 2 Project delivery.
- 1.2 The ITE report sets out the detailed analysis for the Phase 2 Project. This report is included in Appendix 1, of Agenda Item 5.

## 2. Recommendations

- 2.1. The Board is asked to:
- 2.1.1. **Note** that Maidstone ITP Phase 1 is currently being reviewed by Kent County Council following objections to the scheme being received.
  - 2.1.2. **Approve** one of the two following options:
    - Option 1** – Approve the award of £2.7m LGF to support the delivery of the Phase 2 Project identified in the Business Case and which has been assessed as presenting high value for money but with low certainty of achieving this.
    - Option 2** – Defer the funding decision for Phase 2 Project until further evidence is provided, as listed under 9.7, to demonstrate high certainty of high value for money being achieved

## 3. Maidstone Integrated Transport Package (ITP) Background

- 3.1. The Project is for the delivery of transport improvements in Maidstone and the surrounding area, with a total LGF allocation of £8.9m.

## Maidstone Integrated Transport Package LGF funding decision

- 3.2. The aim of the Project is to reduce congestion and ease traffic movements through the town, to support the delivery of Maidstone's Transport Strategy. The Project consists of a package of interventions, with the Business Case for the specific interventions being brought forward on a phased basis. This phased approach to Project delivery is intended to help reduce traffic disruption whilst project construction works are undertaken.
- 3.3. Business Cases for subsequent phases of the Project will be developed through 2018/19 to secure the remaining £4.9m funding allocation to the Project.

### 4. Maidstone ITP Phase 1 Project

- 4.1. In February 2016, the Board approved the award of £1.3m LGF to the Phase 1 Project, which focused on interventions at Willington Street, Maidstone. This is a route which connects the A20 and A274 routes, as key corridors into Maidstone from the east and south east.
- 4.2. The scope of the Phase 1 project is to improve the operation of the junctions at either end of Willington Street, including the junction with A20 Ashford Road to the northern end and A274 Sutton Road at the southern end. This objective is set to be achieved through improvements to the existing signalised junctions; to reduce traffic delays along the corridor.
- 4.3. The Project is supported through local developer contributions, with the total cost of the Phase 1 Project estimated at £4m. A total of £0.979m LGF has been spent on the Project to date. The LGF Project spend profile, including later phases of the Project, is set out in Table 1 below.

**Table 1 Maidstone ITP LGF spend profile**

£m	2016/17	2017/18	2018/19	2019/20	2020/21	Total
LGF spend	0.265	0.714	1.371	4.285	2.265	8.900

- 4.4. There is, however, a lack of local support for the proposed scheme approved by the Board in February 2016, as recognised through a public engagement meeting held in December 2017 and the Maidstone Joint Transport Board meeting on the 17<sup>th</sup> January 2018. The Phase 1 Project is currently on hold whilst alternative scheme proposals are developed for the improvements in Willington Street.
- 4.5. The Phase 1 Project will be considered again at the Maidstone Joint Transport Board meeting on the 11<sup>th</sup> July 2018 and is scheduled to be considered by Kent County Council Environment and Transport Cabinet Committee on the 13<sup>th</sup> July 2018. Through these meetings a decision will be sought on the next steps for Phase 1. An update will be provided to the Board and decision sought from the Board in relation to the next steps for Phase 1 following the further local consideration of Phase 1 through the appropriate local democratic processes.

- 4.6. If the Project does not progress then there is a risk that spend on the Phase 1 project to date will become an abortive revenue cost which cannot be met with the LGF grant and such revenue costs would need to be met locally. If the LGF spend to date were considered an abortive cost then a further decision would be required from the Board to reallocate the LGF to meet the conditions of the grant from Government.

## **5. Maidstone ITP– Phase 2 project**

- 5.1. In parallel to the development of the initial phase of the Project, a Business Case has been developed for the second phase of the Project. This is for the delivery of improvements to M20 Junction 5, Coldharbour Roundabout (Phase 2 Project), on the A20 to the north west of Maidstone Town Centre, as the intersection of the A20 and a link road to M20 Junction 5.
- 5.2. The Phase 2 project is required due to the considerable growth in the local area, with planned development expected to increase the level of traffic through the already congested junction. The Phase 2 Project will enlarge the roundabout, remove the existing traffic signals and provide additional junction entry lanes, allowing lane designation that better aligns with traffic volumes.
- 5.3. The LGF investment itself will focus on the improvements to M20 Junction 5, whilst junction improvements to two nearby junctions, A2246 Hermitage Lane/A20 and the Poppyfield Roundabout, will be made through developer contributions.
- 5.4. The primary objectives of the Phase 2 Project are to:
  - 5.4.1. Improve the efficiency of the junction to relieve congestion; and
  - 5.4.2. Improve journey times and journey time reliability
- 5.5. In addition the Phase 2 Project will deliver secondary benefits, including arrest of deteriorating air quality, improved access to the 20-20 Business Park and South Aylesford Retail Park, and increased capacity of the junction to support future development.

## **6. Project Options**

- 6.1. The delivery of the Phase 2 Project has been identified through the development of Maidstone's ITP and Maidstone's Transport Strategy.
- 6.2. Due to the high proximity of Coldharbour Roundabout to the M20 motorway and the high proportion of users who are therefore heading to/from the motorway, the options considered as part of the Business Case development have been limited to highway improvements rather than traffic demand management or public transport interventions.
- 6.3. Kent County Council has considered alternative solutions to improve the operation of the A20 Coldharbour Roundabout through converting to a

signalised T-Junction or enlarging the existing signalised junction. These solutions, however, were considered to provide less capacity than the preferred option and would therefore only provide a short/medium term solution.

- 6.4. If no changes are delivered to the junction, then the existing congestion at the junction is expected to worsen and present a constraint to planned development within Maidstone and Tonbridge & Malling Boroughs. Bus services would also be exposed to the same delays and congestion which will worsen journey times and the reliability of services.

## **7. Public Engagement**

- 7.1. To date, Kent County Council has worked closely with Maidstone Borough Council to define the interventions to be delivered through Maidstone ITP, with the proposed interventions having been agreed by Maidstone Joint Transport Committee, involving Councillors from Maidstone Borough Council, Kent County Council and two Parish Council representatives.
- 7.2. Other stakeholders who have been involved through the early stages of the Project's development include Tonbridge and Malling Borough Council, landowners adjacent to the highway and Highways England. This early engagement with local stakeholders will help to ensure that Phase 2 is supported as it comes forward for delivery and construction.
- 7.3. Public engagement is planned for October 2018. A Stakeholder and Communication Plan will be developed to set out key project stakeholders, identify the specific interests of stakeholders and the appropriate engagement/communication approach.
- 7.4. The outcomes of public and stakeholder engagement will be used to help inform the detailed development of the project and future phases of the Project.

## **8. Project Cost and Funding**

- 8.1. The total cost of the Project is estimated at £4m. In addition to the £2.7m LGF contribution sought, a £1.3m developer contribution has also been identified, as per the funding profile set out in Table 1 below.
- 8.2. The private sector funding contributions have been secured through Section 106 agreements from developments at Bridge Nurseries, East of Hermitage Lane, West of Hermitage Lane and Oaksapple Nursing Home. The S106 agreements have been signed to secure these funding contributions.
- 8.3. Kent County Council has already started to receive some of these developer contributions and is confident that all contributions will be received towards the Phase 2 Project. Due to the phased approach of the funding mechanism,

the full of amount is expected to be received by the last year of construction (2020).

**Table 2 Maidstone ITP Funding Profile (£m)**

	2018/19	2019/20	2020/21	Total
SELEP LGF	0.5	2.0	0.2	2.7
Developer Contributions		1.3		1.3
Total	0.5	3.3	0.2	4.0

## 9. Outcome of ITE Review

- 9.1. The ITE has assessed the Project Business Case through Gate 1 and 2 processes and has recommended that the Project achieves very high value for money but with low certainty of achieving this.
- 9.2. The Benefit Cost Ratio (BCR) of 2.9:1 has been calculated once the developer contributions have been taken into account. The economic appraisal has been conducted following Department for Transport (DfT) WebTAG guidance.
- 9.3. As set out in the ITE report, the Strategic Case makes reference to the urban area of Maidstone and the wider issues affecting the county identified in the Kent LTP. However, it does not forge sufficient linkages between these current and future problems, and the need for intervention at this particular location. There is also a weak evidence base regarding the current and projected level of congestion relative to the current and proposed roundabout capacity, and the wider network implications are not considered.
- 9.4. The Economic Case demonstrates high value for money, but there is a high level of uncertainty regarding the key assumptions and approach taken. Following the Gate 2 review there is residual uncertainty regarding the appraisal period (assumed to be 15 years), projected demand growth (no growth is applied), value of travel time savings (these do not grow in-line with output per capita), and consideration of impacts on the wider road network (there is a considerable risk of double-counting benefits from this scheme with other schemes delivered in the vicinity).
- 9.5. Alignment of the Strategic Case with the Economic Case is weak because the intervention is predicated on future growth in demand coming from housing development in the area, but the Economic Case does not incorporate any such future growth, nor does it test the future capacity of the scheme. The ITE have acknowledged that there is a desire to offer a conservative assessment of scheme benefits, however in doing so it also limits the assurance that can be provided regarding the fitness for purpose of the intervention and its long term resilience.

## Maidstone Integrated Transport Package LGF funding decision

- 9.6. There is some uncertainty around the analysis as the wider network impact of the junction improvements has not been taken into consideration due to the nature of the transport modelling appraisal of the Project which has been applied.
- 9.7. As the proposed intervention is being delivered with the objective of supporting future growth, it is expected that the analysis conducted as part of the Business Case would consider the impact of future traffic growth to ensure that the proposed scheme is suitable to accommodate the planned traffic growth.
- 9.8. As it stands, the analysis does not include such evidence and so the Business Case doesn't provide re-assurance that the proposed scheme can cope with the planned growth in the vicinity of the junction. However, were evidence to be provided that the Phase 2 Project could meet the future traffic demand then it is likely that the BCR value for the Project would increase.
- 9.9. In view of the ITE assessment, the Board is asked to approve one of two options:
- 9.9.1. **Option 1** – Approve the award of £2.7m LGF to support the delivery of the Phase 2 Project identified in the Business Case and which has been assessed as presenting high value for money but with low certainty of achieving this.
- 9.9.2. **Option 2** – Defer the funding decision for Phase 2 Project until further evidence is provided, as listed under 9.7, to demonstrate high certainty of high value for money being achieved
- 9.10. In agreeing Option 1, there is a risk that the proposed intervention will not meet the demand of future development in the vicinity of the junction, as the transport modelling completed as part of the Business Case has not considered the impact of planned development on traffic growth. This created uncertainty about the expected benefits of the Phase 2 project.
- 9.11. Alternatively, the Board may agree to defer the decision until further evidence is provided to ensure that Phase 2 will achieve high value for money once the impact of future development has been taken into consideration.
- 9.12. Whilst Option 2 will provide greater certainty about the proposed benefits of the intervention, a deferred funding decision is expected to delay the delivery of Phase 2. This is likely to add to time pressures on the delivery of the overall Project by the completion of the Growth Deal period, as the delivery of various interventions across Maidstone and nearby areas included as part of the Project needs to be phased to help reduce travel disruption during delivery.
- 9.13. In approving Option 2, the Board would be deferring the funding decision until further evidence is provided to:

- 9.13.1. Confirm that the proposed intervention provides sufficient capacity to accommodate the planned development in the vicinity of the junction which is referred to in the Strategic Case; and
- 9.13.2. Confirm that there has been no double counting of benefits between Phase 2 and other interventions which are being delivered as part of the Project.

## 10. Project Compliance with SELEP Assurance Framework

10.1. Table 2 below considers the assessment of the business Case against the requirements of the SELEP Assurance Framework. The assessment confirms the compliance of the Project with SELEP’s Assurance Framework, but a number of concerns are noted, particularly with regard to the evidence provided to support the value for money assessment.

**Table 2 Assessment of the Project 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	Amber	National / regional and local plans and objectives are commented on, but linkages between the scheme and each plan/policy mentioned should be strengthened.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account	Green	The Business Case provides details of the intended project outputs and outcomes. These have been converted into measurable indicators for the scheme’s monitoring, evaluation and benefits realisation plan.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)	Green	Risks are appropriately identified and evaluated, indicating the mitigation actions for each of them.
A Benefit Cost Ratio of	Amber	The BCR of 2.9:1 has been

at least 2:1 or comply with one of the two Value for Money exemptions		calculated as part of the Business Case. However, there is significant uncertainty as to how it has been calculated.
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## 11. Financial Implications (Accountable Body comments)

11.1. Any funding agreed by the Board is dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2018/19 have been confirmed, however, funding for this Project for future years is only indicative.

11.2. In considering allocating funding to this Phase 2 of this Project, the Board should take into account the following risks:

11.2.1. The uncertainty with regard to the value for money assessment presents a risk with ensuring compliance with the SELEP Assurance Framework. It is not clear from the ITE assessment why the required information is absent from the Business Case and it is advised that this information should be sought from the lead Authority to increase the robustness of the value for money assessment.

11.2.2. There is a high level of slippage within the overall LGF programme which totalled £37.8m 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 aligned to the funding profile. Whilst this risk, is offset in part by the recognition that the profile of the LGF allocations did not consider the required spend profile when determined by HM Government, the delay and subsequent pause in delivery of phase 1 of the Project has contributed to the high level of slippage in the overall LGF Programme.

11.2.3. The misalignment of the funding profile has created a further 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 £35.9m (including the requirements of this project); This risk is being managed in part through a planned slippage of £24.3m into 2019/20 from the current year, leaving a remaining funding gap of £11.6m.

11.2.4. It is noted that this risk is being carefully monitored by the SELEP Capital Programme Manager with potential options for mitigation being considered with partners. Potential options include: reviewing options to advance alternative funding sources ahead of LGF spend; and delaying delivery of projects into 2020/21 where the funding is available. In reviewing the options across the whole programme, minimising the risk to delivery and



## Maidstone Integrated Transport Package LGF funding decision

assuring value for money should be key considerations.

- 11.3. 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.
- 11.4. The SLAs also require that the LGF allocations are spent on approved LGF schemes as set out in their business case and that the grant can only be used towards Capital expenditure. Should it be agreed that Phase 1 of the Project is not progressed, then there is a risk that the spend incurred to date may not be classified as Capital. In these circumstances, the Partner authority is required to identify revenue funding to meet the abortive costs.

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

- 12.1. There are no legal implications arising from this decision.

### **13. Equality and Diversity implication**

- 13.1. 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.
- 13.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 13.3 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 where possible identify mitigating factors where an impact against any of the protected characteristics has been identified.

### **14. List of Appendices**

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

### **15. List of Background Papers**

- 15.1. Business Case for Maidstone Integrated Transport Package Phase 2

Maidstone Integrated Transport Package LGF funding decision

**(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>  Stephanie Mitchener  (On behalf of Margaret Lee)	  07.06.2018