

<b>Report title: M2 Junction 5 LGF funding decision</b>	
<b>Report to Accountability Board on 14<sup>th</sup> February 2020</b>	
<b>Report author:</b> Howard Davies, SELEP Capital Programme Officer	
<b>Date:</b> 22 January 2020	<b>For:</b> Decision
<b>Enquiries to:</b> Howard Davies, <a href="mailto:howard.davies@southeastlep.com">howard.davies@southeastlep.com</a>	
<b>SELEP Partner Authority affected:</b> Kent and Medway	

## 1. Purpose of Report

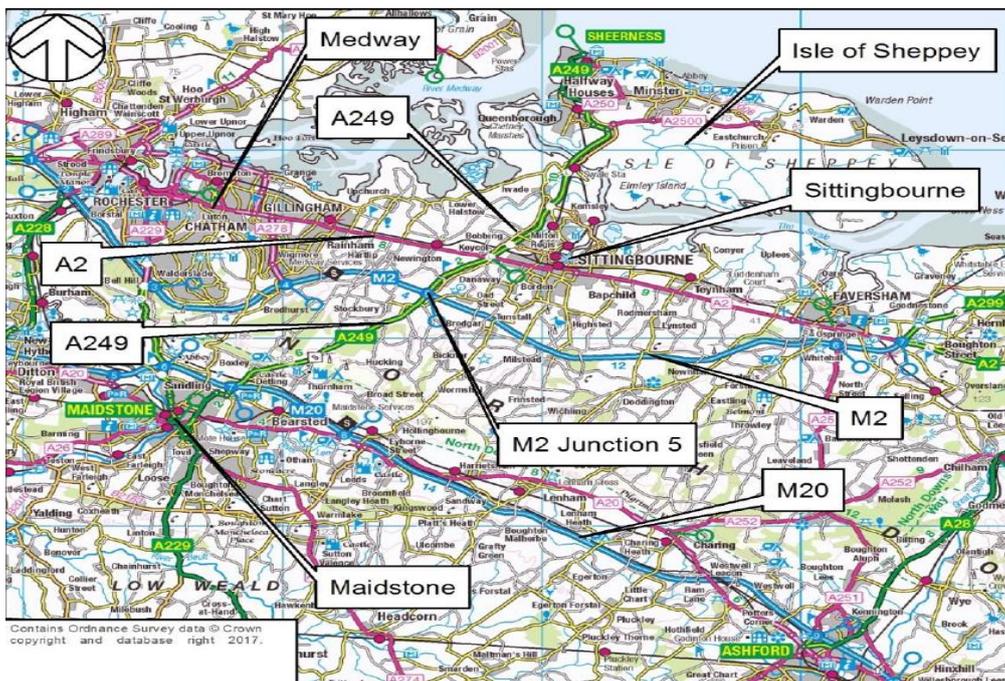
- 1.1 The purpose of this report is for the Accountability Board (the Board) to consider the award of £1.6m Local Growth Fund (LGF) to contribute toward the delivery of the M2 Junction 5 (the Project).
- 1.2 The Project has been identified by the Investment Panel as a priority through the LGF3b pipeline development process.

## 2. Recommendations

### 2.1. The Board is asked to:

- 2.1.1. **Agree** the award of £1.6m to support the delivery of the Project identified in the Business Case and which has been assessed as presenting high value for money with high certainties of achieving this .This is subject to written confirmation being provided to SELEP Secretariat and Accountable Body by Kent County Council (KCC) to confirm:
  - 2.1.1.1. the Secretary of State for Transport's approval of the Project following Public Inquiry; and;
  - 2.1.1.2. the Highways England Project Business Case confirms that the Project presents high value for money, with a benefit cost ratio of over 2:1.
  - 2.1.1.3. the full funding package is in place to deliver the Project.
- 2.1.2. **Note** that LGF cannot be drawn down by KCC until the two funding conditions set out in 2.1.1. have been satisfied.
- 2.1.3. **Note** that if the two funding conditions set out in 2.1.1 are not satisfied then the Board will agree to reallocate the funding to the next LGF project identified on the SELEP's LGF3b pipeline.

### 3. M2 Junction 5 Project (the Project)



- 3.1 The Project consists of a major junction improvement at the junction of the A249 with the M2 (junction 5). The image above shows the existing junction layout. The A249 is on the Department for Transport's (DfT) indicative Major Road Network (MRN), as a road managed by the Local Authority carrying substantial vehicle volumes and serving strategic traffic. It is a key link between the two motorways (M20 and M2) for traffic heading from the Midlands south to the Channel Tunnel and the Port of Dover (the Channel ports), in East Kent. In addition, the A249 leads to the Port of Sheerness at its easternmost extent (which is part of the Strategic Road Network). Furthermore, the A249 links the two major economic hubs of Maidstone and Sittingbourne.
- 3.2 There is a significant level of traffic flow at this junction, which is expected to rise with the proposed opening of the new Lower Thames Crossing and forecast growths of 5% per year at the ports. High levels of housing and employment growth planned for the areas adjacent to the junction are also going to exacerbate congestion at the junction.
- 3.3 The A249 intersects the M2 at Junction 5 and forms part of the strategically important corridor linking Dover with London. The M2 Junction 5 / A249 Stockbury Roundabout has been identified to have capacity and network performance issues, in terms of both M2 east-west movements on and off the M2 mainline and A249 north-south Sittingbourne / Maidstone movements.
- 3.4 The A249 is a strategically important link between the M2 and M20 corridors used to re-route traffic when there is disruption on one corridor, be it a road accident, planned road closures or Operation Stack. The A249 and M2 J5 is the route that freight traffic bound for the Port of Dover will be directed to

use, to transfer from the M20 to the M2 (and then along the A299) if Manston Airport is used as part of Operation Stack. Use of 'Manston Stack' is part of the current traffic management plan when there is disruption at the Channel ports and is also part of the Brexit contingency plans if there is disruption due to a No-Deal Brexit scenario. Use of the A249 and M2 J5 for this purpose will put further pressure on this junction.

- 3.5 Existing safety issues at this junction mean that it is one of the top 50 national casualty locations on England's major A roads and motorways. There were 111 personal injury accidents between January 2011 and December 2015 and nearly half occurred during morning and evening peak periods.
- 3.6 People currently use rural roads to avoid the congestion, putting undue pressure on local roads not suited to large volumes of traffic and increases safety risks. The junction of Oad Street and the A249 has a history of accidents as people use this route as a cut through and therefore the closure and relocation of the junction of Oad Street as part of this scheme will improve safety at the junction. With the current levels of congestion, traffic is diverting from the junction and using alternative rural routes, putting pressure on these local roads that are not suited to large volumes of traffic. Such local roads are more likely to be used by cyclists.
- 3.7 In addition, the Channel ports are forecasting significant growth of around 5% per annum, and as such, the need for resilience between these corridors linking the Channel ports to the rest of the UK will be further increased. The A249 is also part of the Strategic Road Network linking the Port of Sheerness, which is also forecasting significant growth.
- 3.8 There are high levels of car use in the area and there are currently no significant plans to improve bus or rail services either between Sittingbourne/Sheppey and Maidstone or between the Medway towns and Sittingbourne/Sheppey.

#### **4. Policy Context**

- 4.1 Improvements to M2 Junction 5 are identified in Highways England's (HE) Road Investment Strategy (RIS 1) 2015-2020 and the scheme is partly funded.
- 4.2 The Shadow Sub-National Transport Body (STB) and Transport for the South East (TfSE) support the Project, as the Shadow Board endorsed the bid for the gap funding to the DfT for early entry into the Major Road Network (MRN) programme through the National Roads Fund.
- 4.4 Improvements to this junction are a strategic priority in KCC's Local Transport Plan 4: Delivering Growth without Gridlock (2016-31).

- 4.5 The Kent and Medway Growth and Infrastructure Framework (GIF) forecasts that between 2011 and 2031 the authorities of Swale, Maidstone, Medway and Canterbury will collectively deliver an increase of 65,800 homes and 59,000 jobs. Improvements to this junction are essential to enable delivery of this growth.
- 4.6 Funding has been sought through the Housing and Infrastructure (HIF) Forward Fund for the two other key junctions on the A249, north of M2 Junction 5). This will enable the delivery of new homes and jobs in the recently adopted Swale Borough Council Local Plan. However, this could in turn cause further congestion at the A249 junction with the M2 (Junction 5), therefore this Project is needed to deliver Swale Borough Council's Local Plan.

## **5. Options Considered**

- 5.1 The Project consists of a major junction improvement at the junction of the A249 with the M2 (Junction 5). The A249 is a road managed by the Local Authority carrying substantial vehicle volumes and serving strategic traffic and links the two major economic hubs of Maidstone and Sittingbourne.
- 5.2 An improvement scheme at this junction was a commitment in Highways England's Road Investment Strategy 1 (RIS1) and consequently Highways England held a public consultation on scheme options in September 2017. An at grade 'hamburger' roundabout junction was promoted as the only option within budget that met the scheme objectives (Option 12A). However, KCC and other stakeholders (the local MP, Maidstone and Swale Borough Council, all stated a preference for the discounted option (Option 4), including a flyover arrangement to permit free flow on the A249. This would unlock future housing and employment growth, as well as provide additional safety benefits (the junction is one of the top 50 national casualty locations on Highways England's network).
- 5.3 Consequently, Highways England reviewed Option 4 and produced a revised scheme (Option 4H1) that meets the RIS1 objectives, increases safety benefits, and ensures free-flow on the A249. The Project represents high value for money with a Benefit to Cost Ratio (BCR) of 3.28:1 and was the subject of the Department for Transport's (DfT) Preferred Route Announcement; however, it remains above the allocated budget.
- 5.4 Planning permission for the Project has not been secured and is currently subject to a Public Inquiry which is due to commence on 10 March 2020 and last for 8 days. Following the Public Inquiry, the Planning Inspector will publish a report with their recommendations regarding the orders to the Secretary of State for Transport, who will subsequently announce their decision. The Secretary of State for Transport announcement is expected around July 2020.

- 5.5 It is recommended to the Board, that approval of the £1.6m LGF award to the Project should be subject to written confirmation being provided by KCC of the Secretary of State's approval following the Public Inquiry.
- 5.6 An update report will be provided by KCC to the 3 July 2020 Board meeting, to detail the progress of this Project and pending decisions.

## 6. Project Cost and Funding

- 6.1 The estimated total Project cost is £94.5m. The Road Investment Strategy (RIS1) has allocated £74.5m toward the Project.
- 6.2 There remains a funding gap of £20m of which £17.5m has been sought from the Governments Road Infrastructure Strategy 2 (RIS 2). Confirmation of the award is expected prior to the Public Inquiry, due to commence on 10<sup>th</sup> March 2020 (see 5.4). It is therefore recommended that the funding decision should be made subject to written confirmation being provided, that the funding gap has been bridged and that the Secretary of State for Transport has approved the Project.
- 6.3 KCC has committed a £900,000 contribution to the Project. The £1.6m LGF will provide an additional funding contribution towards the Project. The LGF allocation to the Project will not be transferred to KCC until the Secretary of State for Transport has granted approval for the Project to proceed.
- 6.4 If there is not a positive outcome to the Public Inquiry or the additional RIS 2 funding is not confirmed as anticipated prior to the Public Inquiry, it is recommended that the LGF will be relocated from the Project to the next LGF project identified on SELEP's LGF3b pipeline.

6.4 Table 1 below sets out the funding contributions to the Project.

**Table 1 - Funding contribution breakdown**

Funding Source	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m	Total Funding
LGF		1.6				1.6
KCC		0.9				0.9
HE RIS 1			74.5			74.5
HE RIS 2 (to be confirmed)			17.5			17.5
Total Funding		£2.5	£92.0			£94.5

- 6.5 Highways England will produce an accurate spend profile when the Start of Works strategy has been approved.

6.6 As the LGF is only a relatively small proportion of the overall funding package for the Project, it is anticipated that the LGF can be spent by 31 March 2021. The LGF will be spent in advance of other funding contributions to the Project. This will include spend of the LGF on further project development work, prior to the expected start of construction work works in January 2021.

6.7 Any LGF spend beyond 31 March 2021 will require approval by the SELEP Strategic and Accountability Board. If the Project does not progress, as per the timescales set out in Table 2 below, there is a risk that the Project may not meet the five conditions for LGF to be spent beyond 31 March 2021, as the five conditions include the requirement for the delivery partner to enter into contract for the construction of the Project by 31 March 2021.

## 7.0 Programme

7.1 Table 2 below sets out the Outline Project Programme only

**Table 2 Outline Project Delivery Programme**

Project development stages completed to date			
Task	Description	Outputs achieved	Timescale
Initial public consultation launched and completed	Highways England publicly consulted on options for improvements to the M2 J5 and promoted Option 12A	Non-statutory public consultation	October 2017
Preferred Route Announcement	Due to a strong objection to option 12A in the public consultation, Highways England announced the new alternative option 4H1	Preferred Route Announcement (PRA)	May 2018
Consultation on Statutory Orders	A public consultation was held on Side-Roads Orders, Compulsory Purchase Orders and Environmental Orders	TBC	July 2019
Project development stages to be completed			
Task	Description		Timescale
Start of construction			Jan 2021
Completion date			Jan 2023

## 8. Outcome of the ITE Review

8.1 The business case has been reviewed through the Independent Technical Evaluation (ITE) process, which demonstrates that the Project represents high Value for Money with a BCR of 3.28:1.

- 8.2 A sensible and proportionate methodology has been applied, although Highways England have not yet provided information about the non-user benefits, renewal costs or maintenance costs which means t According to the update provided by KCC, the maintenance and renewal costs will not be known until January 2021, when the detailed design work has been completed. However, it is expected that assumptions will be applied within Highways England's own business case for the Project.
- 8.3 Highway England's business case for the Project is due to be updated prior to a funding decision by the Secretary of State for Transport (expected in July 2020). Confirmation will be sought from KCC that the Highway England business case for the Project also demonstrates that the Project presents high value for money, with a benefit cost ratio of 2.0:1.
- 8.4 The Project aligns with local, regional and national policy. Both the expected benefits of the Project and the impact of non-intervention have been clearly articulated.
- 8.5 A Monitoring and Evaluation plan has not yet been developed by Highways England but will need to be provided to SELEP once available. It is standard practice for Highways England to put in place post-opening project evaluation (POPE). Details of the intended approach to completing this evaluation will be shared with SELEP once it had been produced as part of the next stage of work on the Project following the Public Inquiry.
- 8.6 The key risks for this Project are its reliance on a National Road Fund bid. Mitigation to lower this risk are in place to seek alternative funding sources within KCC and HE.
- 8.7 The other major risk for this Project is that planning consent has not yet been secured and this is currently subject to a Public Inquiry, as set out in section 5.4 above.

## **9. Project Compliance with SELEP Assurance Framework**

- 9.1 Table 3 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.

**Table 3 Assessment of the Project against the requirements of the SELEP Assurance Framework**

Requirement of the SELEP 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	<b>Green</b>	The Business Case identifies the current problems and why the scheme is needed now. The project objectives align with both national and regional policy, including the SELEP Skills Strategy. The objectives presented align with those identified in the Economic Strategy Statement.
Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account	<b>Green</b>	The expected project outputs and outcomes are set out in the Business Case and are considered in the economic case.  Further evidence will be clear once the Highways England business case is produced.
Considers deliverability and risks appropriately, along with appropriate mitigating action (the costs of which must be clearly understood)	<b>Amber</b>	The Business Case demonstrates experience of delivering similar schemes. A comprehensive risk register has been developed which provides an itemised mitigation. There are concerns around funding and obtaining planning permission for the Project
A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions	<b>Amber</b>	The scheme represents High Value for Money. BCR of 3.28: 1. However, uncertainty remains around the ongoing maintenance and operational costs until the full Highways England business case is finalised (Summer 2020)

## 10. Financial Implications (Accountable Body Comments)

- 10.1 All funding allocations that are agreed by the Board are dependent on the Accountable Body receiving sufficient funding from HM Government. Funding allocations for 2019/20 have been confirmed, and the funding has been

received, however, funding for 2020/21 remains indicative.

- 10.2 Until confirmation of receipt of grant is received, any future year funding awards made by the Board remain at risk.
- 10.3 All LGF is transferred to the sponsoring authority under the terms of a Funding Agreement or SLA which makes clear that future years' funding can only be made available when HM Government has transferred LGF to the Accountable Body.
- 10.4 The Funding Agreements also set out the circumstances under which funding may have to be repaid should it not be utilised in line with the requirements of the grant or in accordance with the Decisions of the Board.
- 10.5 The project's construction phase is not due to commence until January 2021 using LGF funding. If there is a delay in the outcome of the Public Enquiry or the Secretary of State's approval of this project, there could be a delay in the start of the project and there is a risk of LGF spend going beyond the Growth Deal. Spend of LGF beyond the 31<sup>st</sup> March 2021 is subject to the Board agreeing that five specific conditions have been met by a project (including endorsement by the Strategic Board).

## **11. Legal Implications (Accountable Body Comments)**

- 11.1 There are no legal implications arising from this report.

## **12. Equality and Diversity Implications**

- 12.1 **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.
- 12.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation.
- 12.3 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 it is possible to

identify mitigating factors where an impact against any of the protected characteristics has been identified.

**13. List of Appendices**

- 13.1 Appendix 1 - Report of the Independent Technical Evaluator (as attached to Agenda Item 6)

**14. List of Background Papers**

- 14.1 Business Case for the M2 Junction 5

**(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 Nicole Wood, S151 Officer, Essex County Council)	  6/2/20