

From: Barbara Cooper, Corporate Director - Growth Environment and Transport

To: Mark Dance, Cabinet Member for Economic Development

Decision No: 16/00148

Subject: A2 Bean and Ebbsfleet junction improvement – Funding contribution by the Strategic Transport Infrastructure Programme (STIP)

Classification: Unrestricted

Past Pathway of Paper: Environment and Transport Cabinet Committee – 13 March 2017 and Growth, Economic Development and Communities Cabinet Committee, 22 March 2017.

Future Pathway of Paper: Cabinet Member Decision

Electoral Division: Dartford East, Swanscombe and Greenhithe, Dartford Rural,

Summary: Kent County Council, as Accountable Body for the STIP Programme, is required to provide a reasonable contribution to the Bean and Ebbsfleet Junction Improvements and this report presents the matters considered in order for such a contribution to be offered to Highways England.

Recommendation:

The Cabinet Member for Economic Development is asked to agree to:

- a) approve the full and final contribution from the Strategic Transport Infrastructure Programme (STIP) towards the A2 Bean and Ebbsfleet junction improvements; and
- b) support the approach that KCC will not forward fund or guarantee the proposed contribution.

1. Introduction

- 1.1 The Kent Thameside Strategic Transport Infrastructure Programme (STIP) is a package of improvements that respond to assessments of the individual impacts and mitigation measures for significant development across the boroughs of Dartford and Gravesham. A Key Decision was taken on 15 October 2012 (Decision No 12/01953) agreeing to the County Council acting as the Accountable Body for the programme.
- 1.2 The STIP Steering Group is Chaired by Mark Dance, Cabinet Member for Economic Development. And includes the Leaders and officers of both Dartford and Gravesham Borough Council's and representatives from Homes and Communities Agency (HCA) Ebbsfleet Development Company (EDC), Department for Transport (DfT) and Highways England (HE).

- 1.3 The Bean and Ebbsfleet junctions form an integral part of this programme and although construction is to be delivered by Highways England, there is a requirement for the fund to make a contribution to the scheme.
- 1.4 Current estimates provided by Highways England indicate an estimated cost of £125m to deliver the scheme and the STIP contribution equates to 20% of the scheme total. Officers have been successful in negotiating this figure down from HE's initial assumption that £47m would be available.
- 1.5 Members are requested to note that despite requests from Highways England that KCC guarantee or forward fund the STIP contribution, KCC have maintained the stance that this is not possible and monies can only be made available as and when the Eastern Quarry development triggers are met as shown in Appendix F.

2. Financial Implications

- 2.1 There are no financial implications to Kent County Council as the STIP Fund comprises s106 monies, Homes and Communities Agency grant and Local Growth Fund allocations as shown in Appendix E. The LGF allocations are not part of the proposed contribution and are applied to specific schemes within the STIP Programme

3. Policy Framework

- 3.1 Implementation of the scheme will support the Council in meeting its Strategic Outcome for "Kent Communities to feel the benefits of economic growth by being in work, healthy and enjoying a good quality of life". This will be achieved through the projects supporting continued operation of key transport infrastructure which is vital to the Kent and national economies as well as helping support growth by enabling new residential and commercial development.
- 3.2 The key priorities set out in the County Council's Integrated Transport Strategy *Growth without Gridlock* in terms of providing additional highway capacity, improving accessibility and reducing congestion are also delivered.
- 3.3 The scheme will provide improved growth and economic prosperity through having an efficient highway and transport infrastructure.

4. The report

- 4.1 In the coming years, the Bean and Ebbsfleet junctions will serve developments including Ebbsfleet Garden City. This development will create 15,000 new homes and more than 30,000 jobs could also be created. Traffic modelling work has indicated that without improvements to both junctions, the road network will become highly congested, resulting in considerable delays and associated environmental issues.

4.2 There is a requirement for the STIP fund to make a reasonable contribution to the A2BE scheme. The Business Case for the scheme is dependant on an acceptable level of private funding and a figure of £25m has been offered as a full and final contribution. In deciding this course of action, two options were considered based on detailed analysis of the Programme Fund:

1. A minimal contribution whereby an apportionment exercise is undertaken taking a percentage of each s106 (bearing in mind the pooling restrictions) in relation to the overall scheme cost and directing these monies to the project.
2. Direct the Eastern Quarry s106 funds of £24.7m to the Project in their entirety as it is geographically adjacent to both the Bean and Ebbsfleet junctions plus an additional £300k from s106 monies.

A third option also considered, would be to not contribute any monies to the scheme and force the issue back to DfT but this course of action would:

- a) Make the scheme unaffordable,
- b) Would have an adverse affect on the development plans for the area
- c) Would not be inline with previous agreements and commitments to funding contributions

A meeting of the lead STIP Members discussed these options and it was agreed that the most reasonable solution was to support option 2. This offer represents a pragmatic solution to the funding request, is easier to administrate and fits within the level of funding that has been identified as potentially available with the highest level of confidence.

4.3 There are no Legal Implications

4.4 There are no Equalities Implications

4.5 There are no implications for the Council's property portfolio

5. Conclusions

5.1 The STIP Programme, which includes the Bean and Ebbsfleet junction improvements, is required to make a reasonable contribution towards the scheme and as such, Officers at KCC, Dartford Borough Council and Gravesham Borough Council closely scrutinised the Programme funding arrangements. As per the options identified above, the sum of £25m has been supported by the Steering Group and conveyed to Highways England as a full and final offer of contribution.

6. Recommendations

Recommendation:

The Cabinet Member for Economic Development is asked to agree to:

- a) approve the full and final contribution from the Strategic Transport Infrastructure Programme (STIP) towards the A2 Bean and Ebbsfleet junction improvements; and
- b) support the approach that KCC will not forward fund or guarantee the proposed contribution.

7. Background Documents

7.1 Appendix A Proposed Record of Decision (now superceded by the signed Record of Decision)

- Appendix B Letter from Mark Dance to DfT regarding STIP offer
- Appendix C Letter from DfT in response
- Appendix D Letter from Barbara Cooper to DfT confirming KCC position
- Appendix E Summary of financial details of STIP fund
- Appendix F Current timeframe for Eastern Quarry build out rates and financial triggers

8. Contact details

Report author

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Relevant Director:

- Roger Wilkin – Director HT&W
- 03000 413479
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Appendix A, published with the report, was the Proposed Record of Decision, which was superceded by the sign Record of Decision.

Appendix B



Economic Development

Mr P. Williams
Department for Transport

By email

Sessions House
County Hall
Maidstone
ME14 1XX

Phone: 03000 415884
Ask for: Mark Dance
Email: Mark.Dance@kent.gov.uk

26 October 2016

Dear Mr Williams,

Re A2 Bean & Ebbsfleet – Strategic Transport Infrastructure Programme (STIP) funding contribution

With regards to the above and meetings held recently with Highways England (HE), Kent County Council (KCC) and Ebbsfleet Development Corporation (EDC), the purpose of this letter is to confirm both the offer of contribution from the STIP fund and also, KCC's current understanding in relation to the whole scheme funding and progression.

On the 30th September, key Members of the STIP Steering Group met with Highways England officers to discuss the funding gap and potential contributions that may be achieved from the STIP fund.

Two options were presented to STIP Members for consideration which were:

- a) An apportionment of each of the s106 contributions (either secured or projected to be secured in to the fund) to be directed towards the scheme or,
- b) Direction of the s106 funding from the Eastern Quarry (EQ) development to the scheme plus an additional sum from the s106 monies to be received in to the fund.

The first option is restrictive in that the level of funding potentially available would not achieve an acceptable value, would be time consuming to put in place and would be subject to a protracted administration process.

The second option provides the opportunity for a more reasonable contribution to be offered, relates directly to a major development site that is geographically situated close to both junctions of the A2 and constitutes a commitment of the Group to make a contribution that fits within the level of **available funding**.

In preparation for the meeting, Officers undertook a re-assessment of the funding availability (received, secured and not secured) and it was recommended to the Group that Option b demonstrated the best available solution.

It was subsequently agreed that the Eastern Quarry s106 sum of £24.7m be directed to the scheme, along with an additional £300k from the STIP fund, making a total contribution of £25m.

The profiling for the Eastern Quarry monies are shown in the table below and it should be noted that at current build out rates, the full contribution from Eastern Quarry would not be realised until 2030.

| Year | Yearly completion | Total Completion | Contribution | Cumulative |
|--|--------------------------|-------------------------|---------------------|---------------------------|
| End 2017 (CH) | 313 | 460 | 1,262,240 | |
| End 2021 (CH) | 930 | 1390 | 2,551,920 | 3,814,160 |
| 2021 | 328 | 1718 | 900,032 | 4,714,192 |
| 2022 | 328 | 2046 | 900,032 | 5,614,224 |
| 2023 | 328 | 2374 | 900,032 | 6,514,256 |
| 2024 | 328 | 2702 | 900,032 | 7,414,288 |
| 2025 | 328 | 3030 | 900,032 | 8,314,320 |
| 2026 | 328 | 3358 | 900,032 | 9,214,352 |
| 2027 | 328 | 3,686 | 900,032 | 10,114,384 |
| 2028 | 328 | 4,014 | 900,032 | 11,014,416 |
| 2029 | 328 | 4,342 | 900,032 | 11,914,448 |
| 2030 | 328 | 4,670 | 900,032 | 12,814,480 |
| Triggers total contribution of £24.7m | | | 11,685,520 | £24.7m (not index linked) |

It has also been confirmed that neither Kent County Council, nor the Borough Councils are in a position to underwrite, forward fund or enter in to borrowing agreements and neither can the build out rates or the level of funding be guaranteed. The funding risk therefore rests with Highways England.

I understand that there have been subsequent meetings with DfT, HE, DCLG and EDC with the outcome being that as a result of the funding discussions, DfT have approved the scheme to go to the next stage, which is public consultation, in November.

I am informed that the scheme going forward to consultation has an estimated value of £125m and is to be funded as follows:

DfT £80m
STIP £25m

EDC £20m

As Kent County Council is the Accountable Body for STIP, there is the need for formal approval to be obtained. This will take the form of the following:

- Report to the Leader - Cabinet Members meeting, 12th December
- Report to Environment & Transport Cabinet Committee, 12th January 2017
- Report to Economic Development Cabinet Committee 19th January 2017.

At the time of writing, I do not envisage there being any issues with the approvals process at KCC and you will be kept informed and updated when the meetings have taken place.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark Dance', with a large loop at the top and a horizontal line at the bottom.

Mark Dance

Cabinet Member
Economic Development

Cc: A. Salmon (HE) J. Gregory (EDC) C. Lovegrove (DCLG) Cllr J. Kite (DBC)
Cllr J. Cubitt (GBC) Cllr M Balfour (KCC) A Moreton (KCC)



Appendix C

Andy Moreton
Project Manager, Major Capital Schemes
Kent County Council
Highways, Transportation and Water
County Hall, Maidstone, Kent
ME14 1XX

Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR
Tel: 0300 330 3000
Web Site: www.gov.uk/dft
Our Ref: 182123
Your Ref:
DATE

Dear Andy Moreton

A2 Bean and Ebbsfleet - STIP funding contribution

Thank you for your letter of 26 October 2016 confirming both the offer of a contribution from the STIP fund and your understanding of the scheme funding and progression.

After the meeting of the STIP Steering Group on 30th September (Highways England were not present) Highways England were presented with the verbal offer of £25m. Thank you for documenting this offer and providing further details of the contributions and terms.

This scheme is committed (as stated in the Road Investment Strategy document) subject to an acceptable level of contributions from third parties. In terms of the level of contributions discussed, £20m from EDC and £25m from STIP would provide an acceptable way forward.

However you have stated in your letter that the £25m from STIP is not guaranteed and any contributions coming forward would be paid as and when they were received. Therefore the funding risk would rest with Highways England.

This is not acceptable to us as there is a clear risk that further public funds would be required if the contributions were not forthcoming and in this scenario and current delivery programme, public funds would definitely be required to fund the shortfall at the end of the scheme (around 2022) until any future contributions were received.

Highways England have limited funds provided to them through the Road Investment Strategy and are not in a position to exceed this. The current proposal would require them to do so.

As we discussed at our meeting on 10th November, approval of the proposal as it currently stands by your Cabinet Committee would not result in an acceptable way forward. Suggestions were made as to how to resolve this and we look forward to your response.

Yours sincerely

Appendix D



Growth, Environment and Transport

Mr P. Williams
Department for Transport

By email

Sessions House
County Hall
Maidstone
ME14 1XX
Phone: 03000 415981
Ask for: Barbara Cooper
Email: Barbara.Cooper@kent.gov.uk

30th November 2016

Dear Mr Williams,

Re A2 Bean & Ebbsfleet – Strategic Transport Infrastructure Programme (STIP) funding contribution

I write in regard to the above and an unsigned letter received from DfT in response to the offer made towards the Bean and Ebbsfleet scheme.

The meeting held on the 30th September involved key members of the Steering Group and I am afraid you have been misinformed as Highways England were certainly well represented.

Unfortunately, the suggestions made at the subsequent meeting on the 10th November have not been detailed in the response to KCC but I am advised that they involved either KCC entering in to a borrowing arrangement or for KCC to seek a similar arrangement to the the agreement between DCLG and Ashford Borough Council for M20 junction 10a. Neither of which are acceptable to us.

The Steering Group and Officers have been explicitly clear on what funding contribution is available and the offer made is both fair and reasonable. There are no further funds available nor is there any possibility of KCC or the Districts entering in to any other arrangements to cover the shortfall for your scheme between 2022 and 2030.

I would also point out that , KCC is faced with similar situations locally with improvements required on the local highway network ahead of development and we have, quite rightly, provided funding in these circumstances so as to ensure deliverability. We are not in a position to undertake this for a scheme on the Strategic network and neither should we be expected to do so.

I confirm that the offer made on the 30th September is still available to you although, if this remains unacceptable then I assume that you will seek alternative methods or solutions to fund your scheme.

Yours sincerely



Barbara Cooper
Corporate Director
Growth, Environment and Transport

Cc: A. Salmon (HE) Cllr J. Kite (DBC) Cllr J. Cubitt (GBC) Cllr M Balfour (KCC) A Moreton (KCC) Cllr M Dance (KCC)

Appendix E – Financial Summary

| Funding stream | Total |
|--|-----------------------|
| HCA grant | £13,000,000.00 |
| LGF (secured and approved) | £12,700,000.00 |
| New Homes Bonus | £5,100,000.00 |
| | |
| S106 received and in the fund | £1,862,286.00 |
| S106 held by the Districts | £1,521,452.00 |
| S106 secured but not received (incl EQ) | £31,025,550.00 |
| S106 subject to negotiation | £2,000,000.00 |
| S106 Unsecured/subject to CIL/lapsed permissions | £10,275,820.00 |
| | |
| total | £77,485,108.00 |
| less low confidence/high risk values | £15,375,820.00 |
| Grand total | £62,109,288.00 |

Appendix F

Current build out projections and payment scheduling for Eastern Quarry

| | Castle Hill | Henley Camland | Total Completion per year | Cumulative completions | CPI % | One off payment | payment | Cumulative |
|--------------|-------------|----------------|---------------------------|------------------------|-------|-----------------|------------|------------|
| 2016 | 100 | 0 | 100 | 100 | 2744 | | 274400 | 274400 |
| 2017 | 117 | 0 | 117 | 117 | 2,785 | | 325,864 | 600,264 |
| 2018 | 345 | 300 | 645 | 762 | 2,827 | | 1,823,375 | 2,423,638 |
| 2019 | 287 | 500 | 787 | 1549 | 2,869 | | 2,258,172 | 4,681,810 |
| 2020 | 232 | 500 | 732 | 2281 | 2,912 | | 2,131,863 | 6,813,673 |
| 2021 | 222 | 500 | 722 | 3003 | 2,956 | | 2,134,281 | 8,947,954 |
| 2022 | 108 | 500 | 608 | 3611 | 3,000 | | 1,824,248 | 10,772,202 |
| 2023 | 78 | 500 | 578 | 4189 | 3,045 | | 1,760,250 | 12,532,452 |
| 2024 | 63 | 500 | 563 | 4752 | 3,091 | 11,685,520 | 13,425,807 | 25,958,259 |
| 2025 | 13 | 500 | 513 | 5265 | | | | |
| 2026 | | 700 | 700 | 5965 | | | | |
| | | | | | | | | |
| Total | 1565 | 4500 | 5965 | 5965 | | | | 25,958,259 |