

From: Michael Payne, Cabinet Member for Highways and Transport
Barbara Cooper, Corporate Director of Growth, Environment & Transport

To: Environment & Transport Cabinet Committee – 17 July 2020

Decision No: 20/00058

Subject: Local Growth Fund Round 3b Third Party Scheme – M2
Junction 5 Highway Improvement Scheme

Classification: Unrestricted

Past Pathway of Paper: None

Future Pathway of Paper: Key Decision by Cabinet Member

Electoral Division: Swale West, Swale East and Maidstone Rural East

Summary:As the end of the Growth Deal (March 2021) approaches, a number of projects throughout the SELEP region have experienced difficulty with delivery; and to date £33.396m of funding has been returned to SELEP for reallocation to projects which have demonstrated deliverability by March 2021. Through this process, an allocation of £1.6m has been made available for the M2 junction 5 improvement scheme, which is being delivered by Highways England.

A legal agreement has been drafted between KCC and Highways England which transfers the responsibilities in relation to the LGF contribution (as set out in the Service Level Agreement between KCC and Essex County Council as the Accountable Body for SELEP), to Highways England.

The M2 Junction 5 scheme is subject to a Public Inquiry which has been delayed due to the Covid-19 emergency. It is likely that the Public Inquiry will now be considered in August 2020. In order to demonstrate that the full funding package is in place; Highways England need to have a sealed legal agreement in place to demonstrate the LGF and KCC contributions towards the scheme delivery.

No funding will be transferred to Highways England until the result of the Public Inquiry is announced; and it can be demonstrated that the project will proceed to delivery.

Recommendation(s):

The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Highways and Transport on the proposed decision to approve the progression, via KCC's Local Growth Fund arrangements, for the M2 Junction 5 Improvement Scheme; allowing it to progress to the next stages of development and delivery as attached at Appendix A.

Specifically this comprises approval for:

- i) KCC to act as the accountable body for the project;
- ii) KCC to enter into a Local Growth Fund (LGF) funding agreement;
- iii) KCC to enter into legal agreements with the third party delivering the scheme to transfer the conditions of the LGF spend and project management to them;
- iv) The Corporate Director of Growth, Environment & Transport, under the Officer Scheme of Delegations and in consultation with the Corporate Director for Finance and Procurement, to enter into relevant legal agreements and take other actions necessary to implement this decision.

1. Introduction

- 1.1 In the Growth Deal announcements in July 2014 (Round One), January 2015 (Round Two) and February 2017 (Round Three), the Government allocated £570 million from the Local Growth Fund to capital projects across the South East Local Enterprise Partnership (SELEP) area.
- 1.2 In total, through the three rounds, £128m Local Growth Fund was allocated towards the delivery of 25 Highways and Transportation projects and 6 non-transport projects in Kent.
- 1.3 As the end of the Growth Deal (March 2021) approaches, a number of projects throughout the SELEP region have experienced difficulty with delivery. This has resulted in projects having their LGF allocations removed and to date £33.396m of funding has been returned to SELEP for reallocation to projects which have demonstrated deliverability by March 2021. Through this process, an allocation has been made available for the M2 Junction 5 Highway Improvement Scheme.
- 1.4 Through the Service Level Agreement with Essex County Council as the Accountable Body for SELEP, Kent County Council is responsible for the programme management of all Local Growth Fund projects in Kent. There are, however, specific projects for which third party organisations are responsible for delivery.
- 1.5 The M2 Junction 5 scheme is a third party LGF scheme which will be delivered by Highways England.
- 1.6 This report provides an overview of the project and outlines the required decisions to allow the M2 Junction 5 scheme to progress.

2. Financial Implications

- 2.1 KCC will provide a £900,000 capital contribution to the delivery of the £94m scheme; SELEP will provide £1.6m LGF and the remainder will be provided by Highways England through their RIS funding.
- 2.2 The £900,000 KCC capital contribution towards the scheme will come from the £1.6m originally allocated to the scheme, as shown on page 74, line 4 of the approved 2019/20 KCC Budget Book.

- 2.3 There will be no revenue cost to KCC. KCC costs in developing the legal agreement with the Highways England and administering the LGF will be recouped in full as set out in the Legal Agreement (Clause 19).

3. Policy Framework

- 3.1 The scheme has a strong fit with the objectives of 'Increasing Opportunities, Improving Outcomes: Kent County Council's Strategic Statement (2015-2020)'
- 3.2 The scheme particularly addresses Strategic Outcome 2 "Kent communities feel the benefits of economic growth by being in work, healthy and enjoying a good quality of life". The improvement scheme will increase the capacity at the already constrained M2 junction 5; reducing journey times to assist Kent's residents to reach employment, education and leisure activities. The junction is one of the top 50 national casualty locations on England's major A roads and motorways; and the scheme will improve the safety for residents and visitors to Kent.

4. The Report

- 4.1 The scheme consists of a major junction improvement at the junction of the A249 with the M2 (Junction 5). The A249 is a road managed by KCC carrying substantial vehicle volumes and serving strategic traffic and links the two major economic hubs of Maidstone and Sittingbourne. It is a key link between the M2 and M20 motorways for traffic heading from the Midlands and North to the Channel ports.
- 4.2 The County Council supported Highways England in developing the funding bid for Local Growth Fund (LGF) Round 3b and this has successfully secured a £1.6m contribution towards delivery of the highway improvement scheme. As part of the bidding process; Highways England prepared a business case which demonstrated that the scheme will provide a very high value for money solution to improve capacity and safety at the junction. The business case outlines the options which were considered when developing the project; and the reasons for selecting the preferred solution.
- 4.3 Through the Service Level Agreement with Essex County Council as the Accountable Body for SELEP, Kent County Council is responsible for the programme management of all Local Growth Fund projects in Kent. Where projects are delivered by third parties; a legal agreement is prepared to transfer KCC's responsibilities as set out in the Service Level Agreement; on to the delivery partners.
- 4.4 A legal agreement has been drafted between KCC and Highways England which needs to be sealed before the Public Inquiry takes place in August; to demonstrate to the Secretary of State that the full funding package is in place to deliver the scheme. Furthermore; the LGF cannot be drawn down and transferred to Highways England without the legal agreement being sealed.
- 4.5 No LGF or KCC funding will be transferred to Highways England for the delivery of the project until the outcome of the Public Inquiry is known and it is confirmed that the construction of the project will go ahead.

- 4.6 Highways England; as the delivery partner; are responsible for the production and ongoing review of an Equalities Impact Assessment for the project. A copy of this will be provided to KCC prior to the LGF being transferred.
- 4.7 There are no implications for the council's property portfolio arising from the project.
- 4.8 Through the decisions outlined above, any further decisions required to allow the scheme to proceed through to delivery will be taken by the Corporate Director for Growth, Environment & Transport under the Officer Scheme of Delegations following prior consultation with the Cabinet Member.

5. Conclusions

- 5.1 The M2 Junction 5 Improvement Scheme is largely externally funded with a small KCC capital contribution of £900,000. It will be delivered by Highways England and a legal agreement will be signed prior to the LGF and KCC contributions being transferred. This transfers all of the LGF spend and programme management responsibilities on to the delivery partner. No funding will be transferred to Highways England until the outcome of the Public Inquiry is known and it is confirmed that the scheme will proceed to construction.

6. Recommendation(s)

Recommendation(s): (select relevant wording from below)

The Cabinet Committee is asked to consider and endorse, or make recommendations to the Cabinet Member for Highways and Transport on the proposed decision to approve the progression, via KCC's Local Growth Fund arrangements, for the M2 Junction 5 Improvement Scheme; allowing it to progress to the next stages of development and delivery as attached at Appendix A.

Specifically this comprises approval for:

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- iv) The Corporate Director for Growth, Environment & Transport, under the Officer Scheme of Delegations and in consultation with the Corporate Director for Finance and Procurement, to enter into relevant legal agreements and take other actions necessary to implement this decision.

7. Background Documents

- 7.1 The approved business case for the M2 Junction 5 Improvement Scheme is available to view here:

<https://www.southeastlep.com/app/uploads/2019/07/M2-J5-LGF-Business-Case-redacted.pdf>

8. Contact details

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