



**CABINET – 29 MARCH 2019**

**ENVIRONMENT AND TRANSPORT 2019/20 HIGHWAYS CAPITAL  
PROGRAMME AND HIGHWAYS TRANSPORTATION WORK  
PROGRAMME**

**REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT**

**PART A**

**Purpose of the Report**

1. The purpose of this report is to seek approval for the Environment and Transport 2019/20 Highways Capital Programme and Highways and Transportation Work Programme, which are appended to this report as Appendix A and Appendix B respectively.
2. The report also seeks the Cabinet's approval for the allocation of £6m from future development funds to support advanced infrastructure design.

**Recommendations**

3. It is recommended that:-
  - (a) The Environment and Transport 2019/20 Highways Capital Programme and the Highways and Transportation Work Programme be approved;
  - (b) The Director of Environment and Transport, following consultation with the Director of Corporate Resources and the Cabinet Lead Member for Environment and Transport, be authorised to make minor amendments to the 2019/20 Highways Capital Programme and Highways and Transportation Work Programme;
  - (c) an allocation of £6m from reserves, be approved, to support and develop the advance infrastructure design for schemes in the County, set out in paragraphs 36 to 38 of the report, all focused on new or accelerated housing delivery and provision of new employment and in doing so:-
    - i) Approves the A511/A50 Growth Corridor as the Council's Major Road Network (MRN) priority for delivery in the first MRN period 2020 to 2025;
    - ii) Confirms that M1 J20a should be the Council's submission for the current round of Large Local Majors Funding;

- (d) The Director of Environment and Transport, following consultation with the Director of Corporate Resources and the Cabinet Lead Member for Environment and Transport and the Cabinet Lead Member for Corporate Resources, be authorised to prepare and submit bids, as appropriate, to secure external funding for delivery of schemes identified in the Highways Capital Programme;
- (e) The Director of Environment and Transport, following consultation with the Director of Corporate Resources, the Director of Law and Governance and the Cabinet Lead Member for Corporate Resources, be authorised to enter into such contracts as is necessary to progress schemes in the approved Highways Capital Programme to allow Early Contractor Involvement to take place in advance of all external funding required to deliver the scheme being in place, subject to considerations (a) to (d) set out in paragraph 27 of this report.

### **Reason for Recommendations**

- 4. To approve the Environment and Transport Department's Highways Capital Programme and Highways and Transportation Work Programme for the 2019/20 financial year and to enable these to be published in April 2019.
- 5. Both programmes may need to be revised to respond to changing circumstances and to ensure optimal use of resources throughout the financial year.
- 6. To enable the delivery of large capital schemes using a collaborative approach to work with contractors to reduce risk and increase cost certainty. Working in this way will also provide necessary assurance to partners and third party funders contributing to the cost of delivering the Highways Capital Programme.
- 7. The allocation of an additional £6m and delegation to the Director of Environment and Transport will enable the Environment and Transport Department to continue a proactive approach and be responsive to opportunities to develop significant transport projects to support economic and housing growth.

### **Timetable for Decisions (including Scrutiny)**

- 8. This report was considered by the Environment and Transport Overview and Scrutiny Committee on 7 March 2019. Detail of their comments is included in Part B.

### **Policy Framework and Previous Decisions**

- 9. The 2018/19 Highways Capital Programme was approved by the Cabinet at its meeting in April 2018. The Department's key highways-related plans and strategies have been taken into account when developing the 2019/20 Programme and the Highways and Transportation Work Programme. These include:-

- i. The Local Transport Plan (2011 to 2026) – adopted by the County Council 23 March 2011;
  - ii. The Network Management Plan (2014–2026) – approved by the Cabinet 1 April 2014;
  - iii. The Highway Asset Management Policy and Highway Asset Management Strategy – approved by the Cabinet 23 June 2017;
  - iv. The Highways Infrastructure Asset Management Plan – approved by the Cabinet 15 September 2017; and,
  - v. The Leicester and Leicestershire Strategic Growth Plan – approved by the Cabinet 23 November 2018.
10. Consideration was also given to the Medium Term Financial Strategy (MTFS) 2019/20 – 2022/23, and the County Council’s Strategic Plan 2018 – 2022, which were approved by the County Council on 20 February 2019 and 6 December 2017 respectively.

### **Resource Implications**

11. The actions outlined in the Highways and Transportation Work Programme will be funded from a variety of sources, including capital and revenue budgets and external sources of funding, such as the Government’s Single Local Growth Fund and developers. Further detail on the financial context is given in Part B of this report.
12. The Highways and Transportation Work Programme is resource intensive, both in staff and financial terms. Given this and the significant financial challenges that the Council continues to face, there is little opportunity under the current resourcing situation for the Department to take on other commitments without affecting its ability to deliver the actions and schemes set out in the 2019/20 Highways Capital Programme and Highways and Transportation Work Programme.
13. The additional £6m of funding for the Highways and Transport advanced design programme will be met from Future Development Funds (in the Capital Programme). This funding will provide for both internal and external resource required to deliver the business case and scheme preparation.
14. The Director of Corporate Resources and the Director of Law and Governance have been consulted on this report.

### **Circulation under the Local Issues Alert Procedure**

None.

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## PART B

### Background

#### Policy and Strategy

15. The 2019/20 Highways Capital Programme and Highways and Transportation Work Programme reflect the Environment and Transport Department's current key highway service related plans and strategies as detailed in Part A above, whilst also taking account of the Council's future priorities and the Leicester and Leicestershire Enterprise Partnership's (LLEP) Strategic Economic Plan.
16. These plans and strategies will remain in place for the foreseeable future. However, those developed and owned by the County Council will continue to be assessed and reviewed where appropriate to ensure that they remain fit for purpose. It is likely therefore, that elements of these documents and, in some cases their entirety, will be superseded. Similarly the 2019/20 Highways Capital Programme and the Highways and Transportation Work Programme will be updated to reflect any such changes in the course of the year (the Cabinet's approval would be sought in the event of any significant amendments).

#### Financial context

17. The County Council is facing significant financial, demographic and service demand challenges. It needs to deliver savings of £74m over the next four financial years (2019/20 to 2022/23), with £13.3m savings to be made in 2019/20. This is a challenging task, especially given that savings of £200m have already been delivered over the last nine years. In addition, over the period of the MTFs, growth of £49.7m is required to meet demand and cost pressures with £13.9m required in 2019/20.
18. In the Environment and Transport Department, the revenue budget for 2019/20 is £67m, which is net of savings of £2.6m and growth of £5.2m for the four years from 2019/20 to 2022/23.
19. The main four-year highway service related savings are:-
  - A review of contracts; and,
  - Service reviews.
20. The framework for asset management is set out in the approved Asset Management Policy and Asset Management Strategy and the Highway Infrastructure Asset Management Plan, which adopt a 'risk based' approach to asset management. Essentially, this means the Council will need to look after its highway assets in a way that is more reflective of the relative risks to road users (i.e. particular risk of injury or worse) posed by its condition.
21. Going forward, officers will be looking at how this is likely to affect the balance of future years' spend across all asset management and maintenance activities. This will include levels of funding for reactive

maintenance versus preventative maintenance, and funding relating to the appearance of the assets (e.g. grass cutting beyond that required in respect of road safety) versus the condition of assets. It is important that the appropriate balance is achieved to seek to maintain highway assets to the best overall condition possible and to minimise possible future legal liabilities on the County Council (e.g. arising from road user incidents) whilst working within ongoing budgetary pressures and responding to increasing travel demand arising from growth. As a result, future asset management programmes could look very different.

### Highways Service Spend

22. The Environment and Transport Department's capital programme totals £175.4m over the four years 2019-23, £159.2m of which is the Highways and Transportation element. This capital funding comes from a number of sources such as various government competitive funding streams, the County Council's capital budget and developer contributions. The main areas of Highways and Transportation Service related spend in 2019/20 are listed below:-
- i. Melton Mowbray Distributor Road - £2.4m (The total programme cost is £62m - this is partly funded by a £49.5m Department for Transport (DfT) grant with the balance is funded by developer contributions that will be received after the road is completed);
  - ii. ensuring transport assets such as roads and footways are well managed – £16.2m (total programme cost being £50.7m);
  - iii. Anstey Lane A46 improvements - £2.69m (The total scheme cost is £9m, of which £5m is programmed to be spent in 2018/19);
  - iv. M1 Junction 23 improvements - £11m (The total scheme cost is £25m, of which £5m is programmed in 2018/19);
  - v. delivery of a programme of advanced design works to support future major transport schemes and bids to the DfT and LLEP for funding - £2.7m (Total programme cost being £6.6m);
  - vi. investment in new vehicles to replace aged vehicles and reduce running costs - £3m (The total programme cost is £8.1m);
  - vii. Hinckley Area Project Zone 4 - junction, traffic management, signage, walking and cycling improvements costing £3.5m;
  - viii. Melton Depot replacement - £3.7m; and,
  - ix. Local Safety Schemes - £0.3m (carried forward from total programme £0.5m).
23. The Environment and Transport Department's capital programme now comprises schemes funded in a variety of ways. Many, such as the Melton

Mowbray Distributor Road, are at least partly funded from external sources. Others, such as the Anstey Lane A46 and M1 Junction 23 improvements, have complex funding packages, including external grant funding and third party contributions. These third party contributions will be made by partners such as developers and other local authorities. In order to enable these organisations to enter into the necessary legal agreements to secure the payment of funds to the Council, as the delivering authority and accountable body, reasonable cost certainty is required.

24. The programme includes a commitment to complete the replacement of Zouch Bridge. However, as current estimates of the cost exceed that detailed within the MTF5 further options are being considered and a report will be brought back to Cabinet when detailed information is available.

#### Early Contractor Involvement

25. Leicestershire County Council is a member of the Midlands Highways Alliance and, as part of the Council's procurement strategy, uses the Medium Schemes Framework (MSF3) to procure the appropriate contracts to deliver many of the Environment and Transport Department's capital programme schemes. The MSF3 uses the New Engineering Contract 4 (NEC4), which provides the opportunity to enter into a contract with the highways construction industry at an earlier stage. A single contract is entered into that is intended to proceed in two stages. Firstly, following an initial selection and quotation exercise, the contract starts with the Early Contractor Involvement (ECI) Stage 1 followed by Construction Stage 2, if the appropriate conditions are met. The opportunity to work with the appointed contractor through Stage 1 means, amongst wider benefits of collaboration and partnership working, that at the point of moving to construction there is greater cost certainty, minimised risk and the benefits of an existing working relationship. The target price for a scheme is agreed by both parties before moving to Stage 2. It is likely to be the case that the target price informs the necessary legal agreements outlined above in paragraph 23.
26. Given the complex funding structures that are now required to enable delivery of critical highway infrastructure, as set out above, the Environment and Transport Department requires the ability to enter into the contracts prior to the finalisation of legal agreements with third parties in order to inform those agreements with reasonable cost certainty. The County Council will become liable for the costs associated with ECI Stage 1. However, the conditions set out below will ensure any residual risk to the Council is minimised and as a result the benefits of undertaking Stage 1 are considered to outweigh this risk.
27. When a contract is entered into it would therefore be for both Stage 1 and Stage 2 with the opportunity to 'break' before Stage 2. In order to be able to agree this, the Director of Environment and Transport is seeking additional delegated authority to enter into such contracts. (In the case of the Melton Mowbray Distributor Road, specific delegation was approved by the Cabinet in December 2017). It is proposed that the additional delegation will be used subject to the following conditions:-

- a) The contract refers to an approved scheme (i.e. one set out in the Highways Capital Programme or Medium Term Financial Strategy). This demonstrates the Council's intention to deliver the scheme in line with the spirit of the NEC4 contract;
  - b) The Director of Environment and Transport and Director of Corporate Resources are satisfied that funding partners are able to provide the necessary contributions including cost of ECI Stage 1 should the scheme not proceed to Stage 2;
  - c) The value of the contract at Stage 1 is within the amount covered by existing delegations to the Director of Environment and Transport and Director of Corporate Resources; and,
  - d) In line with the existing approach, the Director of Environment and Transport following consultation with the Director of Corporate Resources will only authorise proceeding to Stage 2 (construction stage) where the scheme is in an approved programme and funding is in place.
28. Any arrangements outside of this will be referred to the Cabinet.
29. Going forward there are very likely to be significant additional pressures in terms of the advanced design funding of (and match funding) the transport infrastructure required to enable Leicester and Leicestershire's growth ambitions, as set out in the Strategic Growth Plan. It will not be possible to meet all of these pressures through the current approach of funding advanced design work and match funding predominantly through the Highways and Transportation Capital Programme or one-off allocations from other Council budgets.
30. The 2019/20 Highways Capital Programme and Highways and Transportation Work Programme have been prepared using the best and most current information available and will be revised as necessary to ensure value for money and to respond to changing circumstances.
31. The 2019/20 Highways Capital Programme (attached as Appendix A) contains a list of schemes for each of the highways programmes.
32. The 2019/20 Highways and Transportation Work Programme (attached as Appendix B) contains actions that are planned over the next few years up to 2022.
33. Key actions outlined in the 2019/20 Highways and Transportation Work Programme include:-
- a) The continued development and delivery of schemes to support growth, including the Strategic Economic Plan (SEP), Strategic Growth Plan (SGP) and district councils' Local Plans;
  - b) Maximising the benefits of partnership working, utilising external funding;



- c) Making the best use of available funds and seeking to generate new income streams;
  - d) Delivery of the programme of section 106 (developer-funded) schemes; and,
  - e) Further development of a robust evidence base to support the delivery of current and future highways and transport infrastructure.
34. The 2019/20 Highways Capital Programme and Highways and Transportation Work Programme was considered by the Environment and Transport Overview and Scrutiny Committee on 7 March 2019 and the Committee was supportive of the Programme. Individual schemes and projects will continue to be subject to further consultation with local members and the public and reports will be presented to members as appropriate.
35. Consultations on the various service reviews will take place at an appropriate point in their development.

#### Ongoing Growth Projects and Funding bids

##### **Advance Design Works –A511/A50 and M1 Junction 20a**

36. In its role as Highway Authority, Leicestershire County Council has responded to the challenges of strategic growth by developing a pipeline of schemes that support and unlock growth such as the Melton Mowbray Distributor Road (MMDR), M1 J23 and the A512 and the A46 Anstey Lane schemes. This requires the County Council to develop the business case for schemes in advance of having secured funding for construction using the advanced design Highways and Transport Capital Programme. This approach carries some risk but has proved successful as the Authority is ready to bid for appropriate external funding streams when they become available (for example £49.5m Large Local Majors funding for the MMDR). With the ongoing challenge to deliver significant strategic growth, it is proposed that this approach is continued in order to most effectively enable growth and to minimise the impact of growth on Leicestershire residents and businesses by bringing forward infrastructure at an early stage and in a coordinated manner.
37. However, it is not possible to fund all necessary work with the current funding envelope. To support delivery of the following two identified growth schemes, advanced design work is required to be undertaken at cost to the County Council. It is therefore proposed that an allocation of £6m be made from capital reserves to support business case development work for the following schemes:-
- i. £4m for the A511/A50 growth corridor: Officers have reviewed the Government's recently published Major Road Network (MRN) scheme funding guidance and the separate Midlands Connect (MC) MRN criteria. Taking these into account, along with available evidence, the A511/A50 corridor appears to be the only candidate scheme for MRN funding that would be deliverable in the MRN funding period 2020 to 2025. In order to

achieve this, a Strategic Outline Business Case needs to be submitted to the Department for Transport via MC in July 2019 and an Outline Business Case by the beginning of 2020; and,

- ii. £2m for M1 Junction 20a: It was originally intended that HIF monies would be sought to fund this scheme and related business case development work. However, as this scheme would not itself immediately unlock new housing (the fundamental purpose of HIF), it became apparent from discussions with the Ministry of Housing Communities and Local Government and Homes England that the HIF route was unlikely to be successful. Nevertheless, securing delivery of this new junction is important to enable growth, both in its immediate vicinity and in the wider context of the Strategic Growth Plan 'A46 Priority Growth Corridor'. The project has now, therefore, been put forward to Midlands Connect for Large Local Majors Funding, the same source of funding sought for the Northern and Eastern sections of the MMDR. This £2m allocation will enable the development of the business case to support a funding bid to the Large Local Majors pot.

### Looking Forward

- 38. Leicester and Leicestershire's assessed housing need as set out in the Strategic Growth Plan is 118,000 homes between 2011 and 2036. Continuation of Leicestershire County Council's proactive approach in its role as Highway Authority, to supporting the delivery of this growth agenda is likely to require further resources within Highways and Transport over the next few years. The scale of this demand will emerge as new local plans come forward and the Strategic Growth Plan develops. This follows the already significant expansion over the last four years of the highways capital programme and the increasing pressure on the County Council to further bid for and secure largescale infrastructure to support Leicester and Leicestershire's growth agenda.

### Equality and Human Rights Implications

- 39. There are no equality or human rights implications arising directly from the recommendations in this report. It has not been necessary to undertake a detailed equality assessment on the 2019/20 Highways Capital Programme and Highways and Transportation Work Programme as a whole.
- 40. Equality and Human Rights Impact Assessments (EHRIA) will, however, be undertaken, as appropriate, during the review of any appropriate departmental strategies, prior to final decisions being made. This will ensure that any new, proposed or significantly changed policies, practices, procedures, functions or services are assessed for equality and human rights implications.
- 41. In addition, work undertaken on individual projects contained within the 2019/20 Highways Capital Programme and Highways and Transportation Work Programme, such as MTFS service reviews, will include EHRIAs when appropriate.

### **Environmental Implications**

42. No detailed environmental assessment has been undertaken on the 2019/20 Highways Capital Programme and Highways and Transportation Work Programme. However, the County Council will assess the environmental implications of relevant new policies and schemes at appropriate points during their development.

### **Partnership Working and Associated Issues**

43. Working with key partners, such as the Leicester and Leicestershire Enterprise Partnership (LEEP), Leicester City Council, district councils, DfT, Highways England, Network Rail, developers and Midlands Connect will be increasingly important in seeking to secure additional funding to deliver future transport measures and infrastructure.

### **Risk Assessment**

44. The 2019/20 Highways Capital Programme and Highways and Transportation Work Programme have been risk assessed as part of a wider risk assessment of the Environment and Transport Department's business planning process.
45. The delivery of both Programmes is supported by the Department's business planning process and risk assessments will be undertaken for individual teams, schemes and initiatives as appropriate.

### **Background Papers**

20 February 2019 - County Council – 'Medium Term Financial Strategy 2019/20 -2022/23'

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=134&MId=5125&Ver=4>

17 January 2019 - Environment and Transport Overview and Scrutiny Committee – 'Medium Term Financial Strategy 2019/20 to 2022/23'

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=1044&MId=5702&Ver=4>

The Leicester and Leicestershire Strategic Growth Plan: Consideration of Revised Plan for Plan – approved by the Cabinet 23 November 2018

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=5185&Ver=4>

12 December 2017 - Cabinet – 'Melton Mowbray Distributor Road Proposals'

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=4866&Ver=4>

15 September 2017 - Cabinet – 'Highways Infrastructure Asset Management Plan'

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135andMId=4863andVer=4>

23 June 2017 - Cabinet – 'Highway Asset Management Policy and Highway Asset Management Strategy Review'

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135andMId=5120andVer=4>

10 March 2017 - Cabinet – ‘Environment and Transport Interim Commissioning Strategy 2017/18 Refresh’

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=4859>

1 April 2014 - Cabinet – ‘Network Management Plan 2014-2026’

<http://politics.leics.gov.uk/ieListDocuments.aspx?CId=135andMId=3989andVer=4>

Leicestershire County Council’s Local Transport Plan 3 (LTP3)

[https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2017/1/9/Local\\_transport\\_plan.pdf](https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2017/1/9/Local_transport_plan.pdf)

Midlands Highways Alliance and the MSF3 - <https://www.mhaweab.org.uk/>

New Engineering Contract4 - <https://www.neccontract.com/NEC4-Products>.

### **Appendices**

Appendix A – Environment and Transport 2019/20 Highways Capital Programme

Appendix B – Environment and Transport 2019/20 Highways and Transportation Work Programme