

Lower Thames Crossing

4.3 Funding Statement

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1 Introduction

- 1.1.1 This Funding Statement (“this Statement”) relates to an application made by National Highways (the "Applicant") to the Secretary of State for Transport via the Planning Inspectorate under the Planning Act 2008 (the "2008 Act") for a Development Consent Order (DCO). If made, the DCO would grant consent for the Applicant to undertake the A122 Lower Thames Crossing (the Project).
- 1.1.2 The purpose of this Statement is to demonstrate that the Project will be adequately funded, and that funding is not an impediment to the delivery of the Project or the payment of compensation to persons affected by compulsory acquisition, temporary possession or a blight claim.
- 1.1.3 This Statement has been prepared and submitted pursuant to Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 and in accordance with the Department for Communities and Local Government’s (2013) Planning Act 2008: Guidance Related to Procedures for the Compulsory Acquisition of Land. The guidance explains that applicants should be able to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the statutory period following the Order being made, and that the resource implications of a possible acquisition resulting from a blight notice have been taken account of.
- 1.1.4 As this Statement is part of the Application Documents, it should be read alongside, and is informed by, the other Application Documents, particularly the Statement of Reasons (Application Document 4.1), which is also included in the DCO application to comply with the requirements of Regulation 5(2)(h).
- 1.1.5 A description of the Project can be found in Environmental Statement Chapter 2: Scheme Description (Application Document 6.1).

2 Project Cost

- 2.1.1 The estimated capital cost for the Project, including allowances for risk and inflation, is in the range of £5.2 billion to £9.0 billion. The estimate has been prepared in accordance with the Applicant's capital cost estimating process for major projects and includes all costs to deliver the Project.
- 2.1.2 An estimate has also been prepared for the operating, maintenance and renewal (OMR) cost of the Project.
- 2.1.3 The capital cost includes an allowance for compensation payments relating to the compulsory acquisition of interests in, and rights over, land and the temporary possession and use of land. It also takes into account potential claims under Part 1 of the Land Compensation Act 1973, Section 10 of the Compulsory Purchase Act 1965 and Section 152(3) of the Planning Act 2008.
- 2.1.4 The estimates for compensation payments have been informed by land referencing activities, engagement of professional surveyors and information received from consultation and engagement with parties having an interest in the land.
- 2.1.5 In addition to the cost of obtaining land and interests in land, the Applicant has also estimated the other direct costs associated with developing and implementing the Project, including the cost of obtaining consents, procuring the Project and the likely spend on obtaining specialist technical, legal and commercial advice.
- 2.1.6 The design, construction and maintenance costs for the Project have been prepared in accordance with the Applicant's procedures and validated through benchmarking to other analogous projects and consulting with relevant global contractors, designers and cost consultants with noted experience of similar schemes, particularly in the tunnelling market. Mechanical engineers, specialist tunnelling engineers and suppliers of materials, plant and labour have also been consulted.
- 2.1.7 The Project cost and programme has also been assured through external reviews providing sufficient certainty to enable the Applicant to confirm the cost of the Project.

3 Sources of Funding

- 3.1.1 The Project will be funded through government funding of National Highways (i.e., the Applicant).
- 3.1.2 The Applicant is a government-owned and funded company and is responsible for operating, maintaining and improving the strategic road network in England. These responsibilities include the acquisition, management and disposal of land and property in relation to strategic road network improvement projects, together with the payment of compensation related to these activities.
- 3.1.3 The Government's funding of the Applicant is through a Road Investment Strategy (RIS) covering a five-year funding settlement period. This allows the Applicant and its supply chain to plan their work efficiently and invest in people and equipment, growing the skills and capability necessary to deliver the scale of improvements planned to the network. The funding for the RIS is confirmed through the Statement of Funds Available.
- 3.1.4 The first Road Investment Strategy (RIS1) (Department for Transport, 2015) covered the financial years 2015/16 to 2019/20 and committed £15 billion of funding for investments in the roads network.
- 3.1.5 The second Road Investment Strategy (RIS2) (Department for Transport, 2020) covers the financial years 2020/21 to 2024/25 and provides a commitment of £27.4 billion of funding.
- 3.1.6 In RIS1, the Project was identified for development and early design work (Department for Transport, 2015, Part 2, page 46, paragraph 10). The funding commitment for the Project has continued into RIS2. The Project has been announced as a committed, and therefore funded scheme in RIS2 (Department for Transport, 2020, Part 3, page 102, paragraph 6).
- 3.1.7 The funding commitment is also reiterated in National Highways' Delivery Plan 2020-2025 (Highways England, 2020), which sets out the plan to deliver RIS2. The Project has been allocated its own dedicated funding within RIS2.
- 3.1.8 Funding for the next 5 years beyond RIS 2, during which a significant part of the total funding will be required, is currently being agreed with the DfT, however there is continued strong government support.
- 3.1.9 The HM Treasury Budget Report-March 2020 includes reference to RIS2 under Strategic transport projects, specifically mentioning that the Lower Thames Crossing will be taken forward to 'increase road capacity across the Thames east of London' (HM Treasury Budget Report – March 2020, page 48, paragraph 2).
- 3.1.10 The Autumn Budget and Spending Review 2021 also refers to Lower Thames Crossing under Department for Transport (DfT) SR21 settlement, specifically mentioning that settlement will deliver over 60 upgrades, including the largest scheme in a generation – the Lower Thames Crossing (HM Treasury Autumn Statement and Spending Review – October 2021, page 110, paragraph 4)

- 3.1.11 The Project is also part of Government Major Projects Portfolio (GMPP) that ensures robust oversight of the government’s most complex and strategically significant projects and programmes. It is also listed in The Infrastructure and Projects Authority (IPA) Annual Report on Major Projects 2020-21.

Conclusion

- 3.1.12 The Government and National Highways commitments described above demonstrate that the Project will be fully funded by the Department for Transport through the Statement of Funds Available (SoFA). Consequently, the Project is not dependent on funding contributions from other parties or sources, including road user charging. Relevant extracts from these documents are included in Appendix A.

4 Revenue from road user charging

- 4.1.1 As stated in paragraph 3.25 of the National Policy Statement for National Networks (Department for Transport, 2014), river and estuarial crossings will normally be funded by tolls or road user charges.
- 4.1.2 A charge is proposed for the use of the Lower Thames Crossing tunnel in line with government policy to charge for estuarine crossings and to adhere to the Scheme Objectives. For more information, please see Section 1 of the Road User Charging Statement (Application Document 7.6).
- 4.1.3 Under a protocol arrangement, like the one that is currently being used for the Dartford Crossing, the charge revenue and related charge collection cost from the Lower Thames Crossing would accrue to the Government and not the Applicant.

5 Blight

- 5.1.1 The term “blight” refers to the reduction of economic activity or property values in a particular area as a result of possible future development or restriction of development caused by a project for public purpose. Blight notices may be served on the Applicant by those with a qualifying interest in affected land.
- 5.1.2 A long period can elapse between the announcement of development proposals requiring compulsory acquisition and the final acquisition of the required land. During that period, affected landowners can continue to use their property but the marketability of it and the value they could achieve in the open market on sale may be reduced. This may negatively affect landowners wishing to sell prior to the compulsory acquisition of their property as they would not yet be eligible for compensation. In these circumstances, property landowners can (subject to meeting certain criteria) serve a “blight notice” on the Applicant as acquiring authority requesting it to purchase their property ahead of the proposed compulsory acquisition.
- 5.1.3 Once a blight notice has been accepted as valid, the property is acquired by the Applicant. As of June 2022, 63 valid blight notices have been accepted in respect of the Project. Of these, 52 acquisitions have been completed, 3 have expired and 8 are in progress.
- 5.1.4 The cost of these valid blight notices has been met by the Applicant and is included in the Project cost set out in Section 2.1.1 above.
- 5.1.5 Should any future claims for blight arise as a result of the proposed compulsory acquisition of, or rights in, land affected by the Project, the costs of meeting any valid claim will be met by the Applicant.

References

Department for Communities and Local Government (2013). Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land. Accessed May 2020.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/236454/Planning_Act_2008_Guidance_related_to_procedures_for_the_compulsory_acquisition_of_land.pdf.

Department for Transport (2014). National Policy Statement for National Networks. Accessed August 2020.

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Highways England (2020). Delivery Plan 2020-2025. Accessed August 2020.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/910866/5-year_Delivery_Plan_2020-2025_FINAL.pdf.

HM Treasury March 2020 Budget Accessed October 2021

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871799/Budget_2020_Web_Accessible_Complete.pdf

IPA Annual Report on Major Projects 2020-21 Accessed October 2021

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1002310/IPA_AR2021_final_14Jul.pdf

Appendix A Extracts from Government and National Highways Policy Commitments to the Project

- A.1.1 Department for Transport (2015). Road Investment Strategy: for the 2015/16 – 2019/20 Road Period.
- ‘Schemes developed for the next Road Period: Lower Thames Crossing – the Government continues to consult on the different route options for a new Lower Thames Crossing. A decision on a preferred option will be reached during this Road Period, and design work is likely to begin.’ (Part 2, page 46, paragraph 10)*
- A.1.2 Department for Transport (2020). Road Investment Strategy 2: 2020–2025.
- ‘RIS2 will Start or complete £14.7bn of upgrades, including the Lower Thames Crossing.’ (Part 3, page 90, paragraph 1)*
- ‘Committed for RP2: Lower Thames Crossing – a new crossing of the River Thames between Kent and Essex, together with supporting roads linking to the M25, A13 and M2.’ (Part 3, page 102, paragraph 6)*
- A.1.3 Highways England (2020). Delivery Plan 2020-2025.
- ‘We will start construction on our Lower Thames Crossing scheme, which has dedicated funding in government’s RIS2.’ (page 37, paragraph 7)*
- A.1.4 HM Treasury Budget March 2020
- Strategic transport projects
- The government is transforming regional connections through the largest ever investment in England’s motorways and major A roads.³³ The second Road Investment Strategy (RIS2) will spend over £27 billion between 2020 and 2025. It will take forward schemes such as dualling the A66 Trans-Pennine and upgrading the A46 Newark bypass to address congestion, and building the Lower Thames Crossing to increase road capacity across the Thames east of London by 90% (page 48, paragraph 3)*
- A.1.5 HM Treasury Autumn Statement and Spending Review – October 2021
- SR21 builds on the progress made at SR20 to boost connectivity across all parts of the country. The settlement delivers:*
- £24 billion of strategic roads investment from 2020 to 2025, delivering over 60 upgrades, including the largest scheme in a generation – the Lower Thames Crossing – and major upgrades to the A66, A428, A417 and A12 (page 48, paragraph 2, second bullet point)*

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