

A1 in Northumberland: Morpeth to Ellingham

Scheme Number: TR010041

4.2 Funding Statement

Planning Act 2008

Regulation 5(2)(h) Infrastructure Planning
(Applications: Prescribed Forms and Procedure) Regulations 2009

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Infrastructure Planning
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**The Infrastructure Planning
(Applications: Prescribed
Forms and Procedure)
Regulations 2009**

**The A1 in Northumberland: Morpeth to Ellingham
Development Consent Order 20[xx]**

FUNDING STATEMENT

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CONTENTS

1	Introduction	1
2	Capital Expenditure	2
3	Sources of Funding	3
4	Blight	4
	Appendices	5

1 Introduction

1.1 Purpose of document

- 1.1.1 This Funding Statement (this "Statement") relates to an application made by Highways England (the "Applicant") to the Secretary of State for Transport via the Planning Inspectorate (the "Inspectorate") under the Planning Act 2008 (the "2008 Act") for a Development Consent Order (DCO). If made, the DCO would grant consent for the A1Morpeth to Ellingham (the "Scheme"). A detailed description of the Scheme can be found in **Chapter 2: The Scheme, Volume 1** of the Environmental Statement (**Application Document Reference: TR010041/APP/6.1**).
- 1.1.2 The purpose of this Statement is to demonstrate that the Scheme will be adequately funded through the Road Investment Strategy (RIS), using the change control processes set out in Part 6 of the Highways England Licence (See **Appendix A**) if required, and therefore that funding is no impediment to the delivery of the Scheme 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 in compliance with Regulation 5(2)(h) of the Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009 (the "2009 Regulations") and in accordance with the then Department for Communities and Local Government guidance 'Planning Act 2008: Guidance related to procedures for compulsory acquisition' (September 2013).
- 1.1.4 The DCO would authorise the compulsory acquisition of land, interests in land or rights over land. This Statement is therefore required under Regulation 5(2)(h) outlining how the implementation of these powers in the DCO would be funded.
- 1.1.5 As this Statement is part of the application documents it should be read alongside, and is informed by, the other application documents; in particular the Statement of Reasons (**Application Document Reference: TR010041/APP/4.1**), which is also included in the application to comply with the requirements of Regulation 5(2)(h).

2 Capital Expenditure

2.1 Capital Cost

- 2.1.1 The Scheme has a most likely estimate of £261.6 million, including allowances for risk and inflation, at the date of application. This estimate includes all costs to deliver the Scheme from Options Stages through to the opening for traffic. It includes an allowance for compensation payments relating to the compulsory acquisition of land, 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 2008 Act.
- 2.1.2 The estimates for these items 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.
- 2.1.3 The Applicant has been, and will continue to be, responsible for all preparation costs associated with the Scheme. These may include items such as design costs, legal costs, land acquisition costs, advance payments to statutory undertakers and surveying costs.
- 2.1.4 The estimate has been prepared in accordance with the Applicant's procedures and, in combination with the approved budget, provides sufficient cost certainty to enable the Applicant to confirm the viability of the Scheme.

3 Sources of Funding

- 3.1.1 The Applicant is a government owned 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. The Applicant is responsible for delivering the major projects in the RIS.
- 3.1.2 The Government's commitment to fully fund the Scheme for improvements to the A1 between Morpeth and Ellingham was first announced in the Department for Transport's 'Road Investment Strategy for the 2015/16 - 2019/20 Road Period' published in 2014. This document, known as RIS1 sets out the Government's long-term vision for improving the Strategic Road Network (SRN) together with spending plans for the first five years.
- 3.1.3 The RIS1 document pledged £11.4 billion of Government funding to deliver more than 100 schemes in the period between 2015/16 and 2019/20. A list of commitments underpinning the RIS investment plan was published alongside RIS1 which included this Scheme (a copy of which is provided at **Appendix B** of this Statement)
- 3.1.4 As part of the HM Treasury's Spending Review and Autumn Statement 2015, further funding to cover the remainder of Road Period 1 (RP1) and an additional year beyond that confirmed, providing certainty for a total of £15 billion worth of funding to Highways England to March 2021.
- 3.1.5 In March 2015, Highways England published its first Delivery Plan setting out how it intended to deliver the commitments made in RIS1. The funding commitment for the Scheme was reiterated in this Delivery Plan and subsequent delivery plans published annually. See **Appendix C** of this Statement for further details on each Delivery Plan published.
- 3.1.6 On 11 March 2020, the Government published its second Road Investment Strategy for the period 2020-2025 (RIS2). The RIS2 document commits the Government to spending £27.5 billion to both build new road capacity and improve the quality and reduce the negative impacts of the existing SRN. Part 3: The Investment Plan sets out the Government's expenditure priorities which confirms the ongoing commitment to the Scheme (an extract is provided in **Appendix D** of this Statement).
- 3.1.7 The Government and the Applicant's commitments set out above demonstrate that the Scheme will be fully funded by the Department for Transport and consequently the Scheme is not dependent on funding contributions from other parties.

4 Blight

- 4.1.1 The term 'blight' refers to the reduction of economic activity or property values, in a particular area, resulting from possible future development, or restriction of development. Blight notices may be served on the Applicant by those with a qualifying interest in affected land.
- 4.1.2 To date two valid blight notices has been served.
- 4.1.3 Should any future claims for blight arise as a consequence of the proposed compulsory acquisition of land, or rights in land, affected by the Scheme, the costs of meeting any valid claim will be met by the Applicant.

Appendices

Appendix A - Highways England Licence

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/431389/strategic-highways-licence.pdf

Part 6 - Setting and varying the Road Investment Strategy

Introduction

The Secretary of State may at any time set a Road Investment Strategy (RIS) for a strategic highways company or vary a RIS that has already been set.

A RIS is to relate to such period ('Road Period') as the Secretary of State considers appropriate. For each RIS, the Secretary of State will determine the Road Period and set the timetable for developing and agreeing the RIS.

A RIS must specify the requirements to be delivered by the Licence holder during the Road Period to which it relates and the funding to be provided by the Secretary of State in order to deliver those requirements. Such requirements may include activities to be performed, results to be achieved and standards to be met.

The Licence holder **must** co-operate with the Secretary of State to reach an agreed position on a RIS and comply with the processes for setting and varying a RIS.

In the event that, for any reason, there is no current RIS in effect (for example, due to a delay between one RIS expiring and the commencement of a subsequent agreed RIS), the Licence holder **must** continue to comply with its legal obligations and the requirements set out in this Licence, as well as any further directions issued by the Secretary of State, until a new RIS has been agreed and comes into effect.

Setting the Road Investment Strategy

Step 1: The Strategic Road Network (SRN) Initial Report

Once informed of the Road Period by the Secretary of State, the Licence holder **must** prepare and provide to the Secretary of State a SRN Initial Report to inform the preparation of a draft Road Investment Strategy by the Secretary of State.

In producing a SRN Initial Report, the Licence holder **must** include:

- a. An assessment of the current state of the network and user needs from it;
- b. Potential maintenance and enhancement priorities; and
- c. Future developmental needs and prospects.

In producing a SRN Initial Report, the Licence holder **must**:

- d. Comply with the timetable set by the Secretary of State;
- e. Take account of the evidence developed through the preparation of route strategies, as required at 5.13;
- f. Consider the need for effective integration between the Licence holder's network and the rest of the transport system;
- g. Engage with and take account of the views of relevant local and national stakeholders, including those organisations or groups identified at 5.18;

- h. Engage with and take account of the views of Transport Focus and the Highways Monitor;
- i. Take into account any directions and guidance that the Secretary of State may specify in relation to producing a SRN Initial Report by notice or in guidelines to the Licence holder; and
- j. Publish the SRN Initial Report.

As soon as possible following publication of the SRN Initial Report by the Licence holder, the Secretary of State will conduct a consultation on the SRN Initial Report.

Step 2: The Secretary of State's proposals and Draft RIS

The Secretary of State's response to the consultation referred to at 6.9 will include proposals for a Road Investment Strategy (the 'Draft RIS').

The Draft RIS will include details of the requirements to be delivered by the Licence holder along with the financial resources to be provided by the Secretary of State for the purpose of delivering those requirements, and the intended Road Period to which the proposals relate.

The Highways Monitor will assess the Draft RIS and provide advice to the Secretary of State, in accordance with the timetable set by the Secretary of State, on whether the Secretary of State's proposed requirements are challenging and deliverable with the proposed financial resources.

The Licence holder **must** assist the Highways Monitor in their assessment of the Draft RIS, including providing any additional information as necessary.

The Secretary of State, having taken account of advice from the Highways Monitor, will submit to the Licence holder:

- a. A Draft RIS;
- b. As part of the Draft RIS, a statement of his or her general strategy in respect of highways for which the Licence holder is the highway authority;
- c. Any other information in support of the Draft RIS as the Secretary of State considers appropriate;
- d. A clear timescale within which the Licence holder is required to respond with a Draft Strategic Business Plan.

Step 3: The Company's Draft Strategic Business Plan (SBP)

The Licence holder **must** respond to the Draft RIS issued by the Secretary of State in the form of a draft Strategic Business Plan (the 'Draft SBP'), detailing its plans for delivering the requirements set out in the Road Investment Strategy, for the whole period of that RIS.

In providing a Draft SBP to the Secretary of State, the Licence holder **must**:

- a. Clearly indicate whether the Licence holder agrees to the proposals in the Draft RIS, or make counter-proposals;
- b. Take into account any directions and guidance that the Secretary of State may specify in relation to producing a SBP by notice or in guidelines to the Licence holder;

- c. Engage with and take account of the views of the Highways Monitor;
- d. Submit the Draft SBP to the Secretary of State within the specified timescales.

Step 4: The Efficiency Review

The Highways Monitor will assess the Draft SBP and provide advice to the Secretary of State, in accordance with the timetable set by the Secretary of State, on whether the Licence holder's proposed requirements are deliverable with the proposed financial resources, and the extent to which the Draft SBP is challenging and deliverable, including with regard to the levels of efficiency the Licence holder proposes to achieve.

The Licence holder **must** assist the Highways Monitor in their assessment of the Draft SBP, including providing any additional information as necessary.

Step 5: Finalising the RIS and the SBP

Following the Efficiency Review the Secretary of State, taking account of the advice of the Highways Monitor, will do one of the following:

- a. Approve the Draft SBP and finalise the RIS;
- b. Direct the Licence holder to make revisions to the Draft SBP before granting approval; or
- c. Produce a revised Draft RIS, at which point the Secretary of State and the Licence holder will follow the process as specified above between 6.14 and 6.16 in order to reach a mutually agreed position on a final RIS and a final SBP.

If necessary, the Secretary of State will request additional advice from the Highways Monitor on revised versions of the Draft RIS and/or the Draft SBP to facilitate their finalisation.

Once both the Draft RIS and Draft SBP have been finalised, they **must** be published by the Secretary of State and the Licence holder respectively. In the event that the Secretary of State and the Licence holder fail to reach a mutually agreed position on the Draft RIS and/or the Draft SBP within the timetable set by the Secretary of State, the Secretary of State retains the right to determine the content of a final RIS and/or SBP.

Step 6: Mobilisation

Once the RIS has been finalised and the SBP finalised or determined, the Licence holder **must** take appropriate steps in advance of the next Road Period commencing to ensure that it is ready to undertake delivery of the RIS from the start of that period, including preparing a Draft Delivery Plan setting out the details of how the Licence holder aims to deliver the final SBP and submitting it to the Secretary of State for approval.

In preparing a draft Delivery Plan, the Licence holder **must** engage with and take account of the views of the Highways Monitor on the format and level of detail of the Delivery Plan to facilitate reporting arrangements.

Step 7: Delivery

Following approval of a Draft SBP and Draft Delivery Plan by the Secretary of State, and his issuing of a final RIS, the Licence holder **must** publish and deliver the final SBP and the associated Delivery Plan.

The Licence holder **must** report to the Highways Monitor on progress in delivering requirements set out in the final SBP and Delivery Plan on an annual basis, submitting a draft report to the Highways Monitor for approval (providing a copy to the Secretary of State), following which the Licence holder **must** publish the final report.

The Licence holder **must** update its Delivery Plan on an annual basis, submitting a draft update of the Delivery Plan to the Secretary of State for approval. Subject to the Secretary of State being satisfied that the update is consistent with, and contains no material revisions to, the original Delivery Plan, the Licence holder **must** publish the updated Delivery Plan.

Varying the Road Investment Strategy

The Secretary of State is able to vary a RIS once it has been agreed, and the Licence holder may also request a change to the RIS.

Small-scale changes to the RIS, beyond minor refinements that are within the Licence holder's discretion, will be handled through a formal change control process. Major variations, which would affect the Licence holder's overall funding, have a material effect on the integrity of the RIS or otherwise compromise the Licence holder's ability to comply with the RIS, would require the RIS to be re-opened.

In considering or proposing any variation of a RIS, the Secretary of State and the Licence holder **must** have due regard to the desirability of maintaining certainty and stability in respect of the existing RIS.

Change control

Small-scale changes to the RIS, which do not have a bearing on the overall funding envelope and do not materially affect the integrity of the RIS (including small-scale additions to the RIS, as at 6.32), will be subject to a formal change control process, as described at 6.32 – 6.36.

In the event that the Secretary of State considers that a small-scale change to the detail of an objective set out in the RIS may be necessary (for example, a change to the way in which a particular objective is measured, or a change to the nature of a project identified in the RIS Investment Plan), he will notify the Licence holder, the Highways Monitor and Transport Focus. Where the Secretary of State is seeking additions beyond the current RIS, such as additional schemes or further metrics or indicators, the Secretary of State will consider making a proportionate increase in the funding made available by government to the Licence holder to deliver these, along with the existing RIS requirements.

In the event that the Licence holder requests a small-scale change to the RIS, or identifies that a specific project in the RIS Investment Plan may need to be

replaced (due to a deterioration in the business case or difficulties in obtaining relevant consents) the Licence holder **must** provide sufficiently detailed proposals and supporting evidence to allow the Secretary of State to make an informed decision.

The Secretary of State will consider the viability and desirability of any request by the Licence holder under 6.33, seeking advice from the Highways Monitor, where appropriate, and will respond to the Licence holder within three months with a decision about whether or not to proceed with a change.

Following a notification under 6.32, or a response to the Licence holder by the Secretary of State under 6.34, the Secretary of State will begin discussions with the Licence holder and the Highways Monitor to agree the change, including any proportionate increase in the funding as described at 6.32. Once agreed, the Secretary of State will publish details of the change.

In the event that, under the circumstances described at 6.35, the Secretary of State and the Licence holder fail to reach a mutually agreed position, having sought advice from the Highways Monitor, the Secretary of State retains the right to make a final determination.

Re-opening the RIS

Where, in exceptional circumstances, a major variation is considered necessary, which would affect the Licence holder's overall funding, have a material effect on the integrity of the RIS, or otherwise compromise the Licence holder's ability to comply with the RIS, the Secretary of State will formally initiate the process for re-opening the RIS by publishing proposals for variation to the existing RIS and setting a timetable for the process.

In the event that the Licence holder requests that the Secretary of State initiate the process for re-opening the RIS, as described at 6.37, the Licence holder must provide sufficiently detailed proposals and supporting evidence to support its request. Following such a request, the Secretary of State will seek advice from the Highways Monitor on the deliverability of the RIS and the validity of the Licence holder's request.

Once the process for re-opening the RIS has been initiated, the Secretary of State will conduct a consultation on the proposals, or alternatively direct the Licence holder to conduct a consultation, depending on the nature of the proposed variation. In either case, the Licence holder **must** provide notification of the launch of the consultation process to those persons it considers appropriate.

Following the consultation process, the Secretary of State will formally respond to the consultation, setting out his or her decision on whether to proceed with the RIS variation process in light of consultation responses.

Should the Secretary of State decide to proceed with a revised RIS, the response to the consultation will include publication of revised proposals, equivalent to those produced in Step 2 of the process for setting the RIS, and set a timetable for finalising a revised RIS, SBP and Delivery Plan.

Following the publication of revised proposals, the Secretary of State, the Licence holder and the Highways Monitor will follow the standard process for determining and agreeing a final RIS, SBP and Delivery Plan, as set out at 6.14 to 6.24, above, in accordance with the timetable set by the Secretary of State under 6.41.

Appendix B - Extract from Road Investment Strategy for the 2015-2020 Road Period

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/408514/ris-for-2015-16-road-period-web-version.pdf

32 Road Investment Strategy: Investment Plan

Schemes Committed

Previously announced

A19 Coast road – replacement of the junction between the A19 and the A1058, allowing free-flowing movement for traffic along both the A19 and A1058. This provides uninterrupted access to the northern end of the recently-widened Tyne Tunnel. Together with the A19 Testos, this scheme raises the A19 to expressway standard from Yorkshire to north Newcastle.

A19 Testos – grade separation of the junction between the A19 and A184, providing free-flowing access to the southern end of the Tyne Tunnel. Together with the A19 Coast Road, this scheme raises the A19 to expressway standard from Yorkshire to north Newcastle.

A160/A180 Port of Immingham – improvements to the junction between the A180 and A160 near Immingham port, plus upgrading the A160 to a full dual carriageway between the A180 and the port itself.

A63 Castle Street – grade separation of the A1079 Mytongate junction in Hull and improvements to the surrounding roads, including the provision of improved pedestrian and cyclist access across the A63. Along with the Connecting the City Bridge, funded through the Humber Growth Deal, this will improve cyclists' and pedestrians' access to and from Hull Marina and road access to and from the port of Hull.

Newly announced in this Investment Plan

A1 Morpeth to Ellingham – 13 miles of upgrades to dual the carriageway linking the Morpeth and Alnwick bypasses with the dual carriageway near Ellingham, to create a continuous, high-quality dual carriageway from Newcastle to Ellingham.

A1 North of Ellingham enhancements – a set of measures to enhance the A1 beyond Ellingham, including: safety improvements at 11 junction locations and better crossings for pedestrians and cyclists

A1 Scotswood to North Brunton – narrow lane widening in Newcastle between junction 74 and junction 79 to allow three lanes of traffic through the junctions, and four lanes between some junctions.

A1 Birtley to Coal House – online widening of the A1 south of Gateshead to three lanes. Alongside this enhancement, a separate maintenance scheme will replace and improve the Allerdene Bridge. Linking with the existing Coal House to Metro Centre scheme, this will provide three lanes of capacity from the Metro Centre to the A194(M) interchange.

Appendix C – Extract from Highway England Delivery Plan 2015-2020

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/424467/DSP2036-184_Highways_England_Delivery_Plan_FINAL_low_res_280415.pdf

Highways England Delivery Plan 2018-2019

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727342/Highways_England_Delivery_Plan_2018-19_-_Final_Version.pdf

Highways England Delivery Plan 2019-2020

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818656/Delivery_Plan_2019-20.pdf

Appendix D - Extract from Road Investment Strategy for the 2020-2025 Road Period

Road Investment Strategy 2 (RIS2 2020 to 2025) - March 2020 release

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/872252/road-investment-strategy-2-2020-2025.pdf

Completing RIS1 enhancements

RIS1 set in train a transformational programme of investment in our strategic roads. The average road project takes around eight years to get from inception to opening, and the newest commitments made in RIS1 were always expected to be under construction during the period covered by RIS2. Government is keeping its promise to deliver these improvements where they remain value for money, some of which have been critical local demands for decades.

Key regional connections, such as the A1 north from Newcastle, will see their disparate sections of dual carriageway linked together into joined-up, high quality roads.

Committed for RP2

A1 Morpeth to Ellingham – upgrading multiple sections of the A1 to dual carriageway to provide continuous high quality dual carriageway from Newcastle to Ellingham, north of Alnwick.