

HAMPSHIRE COUNTY COUNCIL

Decision Report

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| Decision Maker: | Leader and Executive Member for Hampshire 2050 and Corporate Services |
| Date: | 22 January 2024 |
| Title: | A326 North Waterside Improvements Update |
| Report From: | Director of Hampshire 2050 |

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Purpose of this Report

1. The purpose of this report is to:
 - provide an update on the development of the A326 North improvement scheme to date and set out the next steps
 - outline the feedback that was received during the summer 2023 public engagement and how the design is evolving in response
 - summarise the key project risks and confirm authority to continue the development of the scheme in light of these risks
 - set out the Council's conditions for being scheme promoter into the delivery phase of the project
 - provide authority to submit a Planning Application and Outline Business Case (OBC) for the scheme and assemble the necessary funding package

Recommendations

2. That, following the confirmation of additional third-party funding set out within the finance section, the Leader and Executive Member for Hampshire 2050 confirms the continued development of the A326 North scheme and associated commitment of resources up to Planning Application and Outline Business Case (OBC) submission, planned for Autumn 2024.
3. That, in light of the engagement feedback and design development work set out in this report, authority is delegated to the Director of Hampshire 2050 to make all necessary arrangements for submission of a Planning Application and OBC for the scheme; and (in consultation with the Head of Legal Services) to enter into and progress any necessary contractual arrangements.
4. That the key project risks associated with both the development and delivery of the scheme are noted, as set out in the table at paragraph 48 of this report.
5. That, given the risks around potential scheme cost increases post OBC approval, the Leader and Executive Member for Hampshire 2050 confirms that

the County Council is willing to continue being scheme promoter should the scheme proceed to the delivery stage, but that it cannot use any of its general funding to contribute to scheme delivery costs or future scheme cost increases, unless these are underwritten by a third party.

6. That the County Council's conditions for being scheme promoter during the project delivery phase are noted, as set out in paragraph 58 of this report and that authority is delegated to the Director of Hampshire 2050 to notify funding bodies of these conditions and seek confirmation in writing of their acceptability and/or willingness to enter into negotiations around how cost risks could be fully managed. Confirmation will be required post any OBC approval, or the County Council will be unable to proceed with delivery of the scheme.
7. That authority is delegated to the Director of Hampshire 2050 to identify and agree in principle the necessary local match funding package to deliver the scheme, and (in consultation with the Head of Legal Services) to enter into and progress any necessary contractual arrangements. This local match funding will need to be fully identified by the point of OBC submission, or the County Council cannot submit the OBC.

Executive Summary

8. This paper sets out the background to the A326 North improvement scheme, including a history of the scheme development to date; the reasons why it is coming forward at this time; the scheme objectives; and the current funding and financial considerations.
9. It then provides a summary of the scheme engagement that has been undertaken to date, notably reporting back on the feedback provided during the six-week public engagement that took place during June and July 2023. All the key themes are drawn out and some comments provided in response to these, together with a summary of how the design is evolving in response to feedback as the next stage of design is commenced.
10. Following this the key financial issues and risks faced by the project are set out, which are significant and complex given the scale of the project and its location next to the New Forest National Park. These are set out in order that a decision to both continue progressing the scheme development work and ultimately to deliver the scheme can be made in full recognition of the known risks.
11. Linked to the above, some conditions are set out that the County Council will require to be met in order to continue being the promoter of the scheme, including if and when it moves forward to the delivery stage. These conditions will then be communicated to relevant funding bodies and appropriate arrangements requested to be put in place.
12. The report concludes by setting out the financial considerations for the scheme development work and summarising the next steps that will be taken to develop the scheme towards the submission of a Planning Application and OBC in due course.

Case for the Scheme

13. The proposed scheme involves a series of junction improvements and road widening along the A326 in the Waterside area of the New Forest, between the Michigan Way junction west of Totton (to the north), and the Main Road junction at Dibden (to the south). The scheme will increase highway capacity and provide improved facilities for people walking and cycling, including new crossing facilities.
14. The strategic case for the scheme is strong as it helps solve longstanding traffic congestion and severance issues currently experienced on the A326, which forms the only main road link between the Strategic Road Network and the main urban areas on the Waterside including Totton, Marchwood, Hythe, Dibden Purlieu and Holbury. The A326 can also act as a barrier between the urban areas to the east and the New Forest National Park to the west. Being in proximity to a National Park it will include an extensive package of environmental mitigation and is required to increase the net biodiversity.
15. The scheme also helps to facilitate the growth ambitions set out in the Waterside Vision, as agreed by the County Council, New Forest District Council and New Forest National Park Authority in September 2020. This includes several developments with national importance to the UK and local economy and significant future housing growth as identified in the New Forest District Council Local Plan, including Fawley Waterside. The scheme is also a key enabler of the Solent Freeport sites, most of which are in the Waterside, and which may not come forward without the A326 improvement.
16. The A326 North scheme objectives are as follows:
 - enhance accessibility for all users of the transport network including people not driving
 - address traffic congestion and journey time delays along the corridor
 - facilitate economic development along the corridor
 - minimise the impact on the New Forest
 - complement other investment in the area, in order to deliver wider benefits for local communities, businesses and visitors
17. The expected scheme outcomes are as follows:
 - increased traffic capacity on A326 that encourages traffic to use the A326 rather than other parallel (less suitable) routes, such as through the National Park and Waterside communities
 - a reduction in the potential for the A326 to act as a barrier to movement across it (severance) and improved access into the National Park from adjacent urban areas
 - a substantial programme of environmental mitigation and enhancement, both on and off-site (minimum 10% uplift in biodiversity)
 - an enabler of other measures in adjacent areas as outlined in the Waterside Transport Strategy, i.e. parallel improvements for active travel modes in the Waterside communities and within the National Park

Contextual information

18. The A326 North scheme is part of the Government's national Large Local Majors (LLM) programme, which is itself part of the Major Road Network (MRN) funding stream. This is a programme set up by the Department for Transport (DfT) to assist Local Transport Authorities in funding the largest and most important schemes they have on their local road networks. The scheme went through a competitive sifting process administered by Transport for the South East (TfSE), the sub regional shadow National Transport Body and is one of a handful of schemes in the South East Region that have been selected to progress to a more detailed business case stage.
19. The scheme is a transformative transport scheme in the County Council's Waterside Transport Strategy, which was adopted in November 2022. In the Strategy the scheme is seen as both an enabler of economic growth on the Waterside by improving journey times along the only main road that connects existing and potential development sites, but also as an enabler of other parallel measures to improve facilities for active travel modes, in part by reducing severance due to providing improved crossing facilities, but also by redistributing traffic away from other parallel and less suitable routes, such as those through the National Park and through Waterside communities. By doing this it frees up capacity to be used to improve facilities for active travel modes on the parallel routes, some of which will be brought forward as part of the A326 North scheme.
20. The scheme also fits in with the emerging Hampshire Local Transport Plan 4 (LTP4), in terms of focusing investment in highway capacity schemes on a limited number of key strategic highway corridors across Hampshire, in locations where this will help to enable economic growth.
21. In order to secure funding to develop the scheme an initial pre-Strategic Outline Business Case (SOBC) was submitted to Transport for the South-East (TfSE) in August 2019 for development funding from the DfT Large Local Majors (LLM) fund, to improve the A326 corridor in the Waterside area. The bid was subsequently prioritised by TfSE and submitted to the DfT in September 2019. Notification was received in the March 2020 Government Budget announcement that the County Council was invited to proceed to submission of a SOBC.
22. In July 2021 the County Council submitted the SOBC to the DfT for approval, which contained an appraisal of three scheme options, ranging from a low scope/cost to a high scope/cost. A public engagement exercise on the issues for the scheme to address and the three options set out in the SOBC took place between June and August 2021, alongside engagement on the Waterside Transport Strategy and some other transport schemes in the Waterside.
23. On 18 November 2021 a report was considered by the Executive Lead Member for Economy Transport and Environment (ETE) which did the following:
 - provided the feedback from the summer 2021 engagement exercise
 - gave approval to develop 'Option 2' from the SOBC as the preferred improvement option for the A326 (subject to the approval of the SOBC by the DfT)
 - formally delegated authority to the then Director of ETE, in consultation with the Head of Legal Services, to enter into contractual arrangements with the DfT to spend Large Local Majors (LLM) funding on developing the preferred

improvement option and to assemble the necessary financial package to deliver the scheme

24. The SOBC was approved by the DfT in February 2022 and the County Council was offered £1.254million of development funding, in line with the estimated scheme development costs set out in the SOBC, which were estimated in early 2021 to be a total of £1.9million – note the DfT will provide up to two-thirds of the scheme development costs for schemes in the LLM programme.
25. In March 2022 Hampshire County Council agreed to accept the DfT funding and its associated terms, which include repayment of the grant if the County Council ultimately decides not to proceed with delivering the scheme.
26. Following DfT approval of the SOBC work commenced on the feasibility design for Option 2 from the SOBC, which is subsequently referred to as the 'preferred scheme', and during June and July 2023 a public engagement exercise took place, which presented the preferred scheme design for review and feedback.

Consultation and Equalities

27. The public engagement process took place over a six-week period between Monday 5th June 2023 and Sunday 16th July 2023. Prior to this, the engagement was advertised online via the County Council's press and social media outlets, posters put up in the local area, information on the Real Time Information (RTI) screens at bus stops across the Waterside, and via around 35,000 postcards that were posted to residents and businesses within the vicinity of the A326, most notably within Totton, Marchwood and Hythe and the surrounding areas. Direct contact and meetings were also held with key stakeholders to better understand their views.
28. To inform the engagement an Information Pack was produced which outlined the scheme proposals and this was published online along with a 'fly-through' video showing an overview of what the scheme might look like once completed. There was also a feedback survey that was available online and via paper copy on request, which sought views on all aspects of the scheme proposals and provided an opportunity for people to provide feedback on anything else related to the scheme design.
29. Four public exhibition events took place throughout the engagement period at locations in Totton, Marchwood, Hythe and Fawley, which provided people with an opportunity to review the scheme information and ask questions of County Council Officers in attendance. There were also two online question and answer sessions hosted via Microsoft Teams during the consultation period, which enabled people to ask questions of County Council Officers. In total over 900 people attended the public events and over 500 online and paper feedback surveys were completed. Further to this, 19 emails were directly received and 178 comments on the scheme were made on social media. From the responses received, 92% of the people lived within the Waterside area.
30. A full report detailing the feedback received during the engagement is provided as Appendix A to this report and a summary of the main points and themes is provided below.
31. Overall, the feedback received shows that there were mixed opinions about the different aspects of the scheme's impact. The most important priority to

respondents was improving traffic flow on the A326 with 54% of respondents - believing that the scheme would not deliver this. It is noted that public engagement did not provide any detail of the traffic modelling and that this was therefore based on opinion rather than any evidence.

32. The current traffic modelling indicates that even with future traffic growth and new development traffic there will be an improvement to traffic flow on the A326 as well as improvements to parallel routes where a reduction in traffic would be of benefit. The traffic modelling indicates that the greatest benefit of the scheme on the A326 will materialise when committed and future development traffic comes online and that this is something that the current users of the A326 would not be able to directly identify with. As the scheme develops further, the modelling results will be shared to assist in demonstrating the advantages of the proposed scheme.
33. The second most important priority identified in the feedback was improving crossing of the A326 for people walking and cycling, with 51% of respondents stating that they thought the scheme would deliver this. This accords with the consultation with key stakeholders, The New Forest National Park Authority and the New Forest District Council, who both stated that improving sustainable links across the A326 would be essential in improving walking and cycle access to the National Park.
34. Since the public engagement further analysis has been conducted to improve the accessibility for walking and cycling across the A326, as well as looking at the off-A326 routes that connect to this key new proposed infrastructure.
35. Nearly two thirds of respondents had concerns about the environmental impact of the scheme, with 44% being very concerned. However, the scheme priority related to the environment (improving biodiversity through mitigation and enhancement) was ranked the lowest in terms of importance in the engagement feedback.
36. The mitigation plans for ecology and improving biodiversity have yet to be fully devised as they require the design to be fixed and so form a key part of the next stage of the design process. Consequently, it was only possible to provide limited information within the engagement Information Pack and as such there was unlikely to be sufficient information to fully allay any concerns over the environmental impact of the scheme. The County Council is seeking to provide an exemplar scheme that focuses on protecting ecology and enhancing biodiversity in alignment with the County Council's standard practice and emerging new policy around biodiversity. Once more details of the plans are available, they will be shared with the public to demonstrate a commitment to this.
37. With regards to environmental concerns, the most frequent comment from the feedback was related to preserving existing trees and vegetation. The design process has sought to minimise tree loss as much as possible, notably seeking to avoid any loss of ancient woodland, or removing trees where they form a shield between the road and adjacent residential property. Given the nature of the scheme and its location there will inevitably be some tree loss, but by employing a specialist arboriculture consultant all existing mature trees have been categorised in terms of their value and the next stage of the design process will involve working with this consultant to ensure that as many of the highest value

trees can be retained and protected as possible. For any trees that do need to be removed, a comprehensive planting plan will ensure that significantly more new trees are planted than those that have to be removed.

38. There was support for scheme specific elements of the overall scheme, with the most support for improvements at the Twiggs Lane junction in Marchwood, which is adjacent to Marchwood Church of England Infant School.
39. Further comments have been raised regarding noise and air quality concerns related to traffic on the A326. It is important to highlight that no noise and air quality assessments have been undertaken yet and as such no mitigation measures have been presented to the public. A comprehensive assessment of the necessity for noise mitigation will be carried out during the next stage of design, especially in areas where the road and any proposed widening are in close proximity to existing properties. In such cases, appropriate measures, such as acoustic fences, will be provided if an increase in noise above the thresholds set down in Environmental Impact Assessment guidance is forecast.
40. Another point frequently mentioned was in relation to the proposed dual carriageway only covering some sections of the scheme, which would result in shifting the existing bottleneck further south. It must be noted that where the proposed widening ends, there is not enough space within the existing highway boundary to expand the dual carriageway without encroaching onto highly sensitive areas such as ancient woodland. Despite this, the design aims to go some way towards improving journey times and alleviating bottleneck issues. The traffic modelling undertaken shows a significant improvement in journey times along the A326 corridor, which should address some of the concerns raised during the consultation.
41. Many respondents had concerns over the construction of the scheme and how long it would take. It is noted that the consultation took place when the Redbridge flyover had major roadworks that heavily impacted traffic flows in the area and notably traffic on the A326. As the scheme develops detailed consideration will be given to how the scheme could be constructed, with the aim being to minimise the impact on the travelling public.
42. Further comments raised concerns with the overall impact upon Marchwood itself, along with the fact that the scheme improvements at Twiggs Lane could increase traffic along this sensitive route. A number of the respondents stated the idea of alternatively providing a new junction to the south of Marchwood on the A326 to provide a more suitable route into Marchwood that avoids sensitive routes. Since the consultation this idea has been investigated and found that it could provide benefits not just to the A326, but the wider highway network around Marchwood given the constraints at the existing junctions with the A326, and as such it is proposed to be included in the design (see also paragraph 45 below).
43. With regard to the cycle route options for the section of the A326 between Marchwood to Dibden, there was overall more support for providing an off-road route next to the A326 than for improving the on-road parallel route along Hythe Road. Of the people who preferred the on-road option, adding traffic calming was the most popular whilst closing the road to through traffic via a modal filter (or similar) was the least popular. On balance it is planned to take forward improvements to the on-road route along Hythe Road, together with a feature to

prevent through traffic on Hythe Road (such as a modal filter), for the following reasons:

- Widening alongside the A326 to provide a new cycle route would require the removal of several hundred trees and a significant amount of vegetation. The environmental impact of doing so is not considered to be acceptable in the context of the benefits that would be provided on a rural cycle path, with a relatively low number of expected users, especially when there is an alternative route available.
- Providing the route along Hythe Road complies with the adopted Waterside Local Cycling and Walking Infrastructure Plan (LCWIP), which identifies the Hythe Road route as the preferred route for improvements. It also complies with the overall aims of the A326 North scheme, which promote the use of the A326 for vehicles by improving capacity, leaving the local road network more lightly trafficked and providing opportunities to make improvements for other modes of transport. Bus access along Hythe Road is likely to be maintained so as not to negatively impact existing residents.
- It is likely that a number of people who stated that they preferred an off-road cycle route by the A326 did so by comparing this to the existing on-road situation along Hythe Road, which it is agreed is not conducive to cycling, hence why further measures are being proposed along Hythe Road to improve this route for people cycling.
- By providing a new junction south of the Pilgrim Inn (see paragraph 45 below) there will be less need for people to use Hythe Road in order to access Marchwood to/from the south. This means that Hythe Road access can be maintained for residents/businesses only, but with a significantly reduced volume of vehicles, which will make the road environment much more attractive and safer for on-road cycling.

44. Some of the other most popular comments made included the following:

| Comment | HCC Response |
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| Costs too high for the benefits | Ultimately this will be a decision for the funding bodies to make, as to whether the scheme represents value for money. The benefits of the scheme will be to some extent derived when compared to a 'do nothing' future scenario which has higher levels of traffic and development but without any road improvements, in order to highlight the issues that will be prevented by implementing the scheme. |
| New traffic lights will not improve traffic flow | The benefit of traffic lights is that they can provide a more even distribution of capacity to all approaches to a junction, rather than one or two movements being dominant to the detriment of others (such as side roads), which can often be the case with roundabouts. They also have wider benefits of having a smaller footprint when compared to a roundabout, so their use can avoid sensitive areas such as ancient woodland or other geometric constraints. It is also easier to incorporate |

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| | safe pedestrian and cycle crossing facilities within a signal junction, without unduly affecting traffic flow. |
| Should provide a dual carriageway all the way down to Dibden/Applemore | This issue was considered in the previous Decision Report for the scheme in November 2021, which documented why the preferred option was chosen as opposed to providing a dual carriageway down to the Applemore roundabout. In particular whilst this would have more traffic benefits it would also have a substantially higher cost that would outweigh the additional benefits. Furthermore, the environmental constraints on the southern section would also mean that the environmental impact of this additional dual carriageway was considered to be unacceptably high, due to factors such as Ancient Woodland and impact on the New Forest National Park. |
| Need alternative to the private car – including waterways | This point is largely agreed and accords with the County Council's policy as set out in the Waterside Transport Strategy of pursuing multi modal improvements for transport in the Waterside. To date the Council has developed and will deliver improvements to bus priority, walking and cycling via the Transforming Cities programme; has conditionally supported the Waterside Rail scheme to re-open the Waterside line to passenger services; and in terms of this scheme are seeking to take every opportunity to improve provision for those walking and cycling, as well as improving highway capacity. The County Council has limited remit in terms of the use of waterways, but it is beyond the scope of this scheme to provide any improvements. Although it should be noted that the Council has for years subsidised the Hythe Ferry service (to/from Southampton), in recognition of the benefits that it offers to the Waterside area. |
| Noise mitigation for properties near to the widened road | The need for this will be verified via an assessment of the change in noise levels as a result of implementing the scheme, which will be documented in the Environmental Statement to be submitted as part of the Planning Application. Where the assessment identifies an increase in noise above thresholds stipulated in guidance, mitigation will need to be provided for scheme to be considered acceptable. |
| Why are you providing at-grade traffic light crossings, rather than grade separated crossings such as bridges or underpasses? | At-grade crossings are considered to provide an acceptable level of service for most types of users and whilst by their nature they interfere with traffic flow, this can be carefully managed through the use of staggered crossings and modern detection technology, to ensure that the impact on vehicles is minimised. Underpasses and bridges both have their drawbacks for example in terms of safety and security and furthermore would involve construction costs that would be several orders of magnitude higher. |

45. The following points summarise how the scheme design is evolving following some of the feedback that was provided as part of the engagement:

- Incorporation of a new junction on the A326 for Marchwood, located south of the Pilgrim Inn, instead of major improvements at either the Twiggs or Staplewood Lane junctions. This would also enable the closure of Twiggs Lane on the Marchwood side, to improve the environment in the vicinity of Marchwood Infants School. Appropriate measures will be put in place along Twiggs Lane, developed in conjunction with the school. Given this is a significant change to the design, further details will be published on the scheme webpage in due course, prior to any Planning Application submission.
- Incorporation of the option to turn right into Staplewood Lane from the A326 south, where the previous proposals had banned this movement. It was frequently raised at the engagement events that this movement was well used by people accessing the household recycling centre and keeping this option reduces the need for vehicles to travel through Marchwood village as an alternative.
- Further revisions to the alignment at both the Fletchwood Road and Cocklydown Lane roundabouts, to try and reduce the speeds of approach traffic on the A326 and make it less difficult for traffic to join the roundabout from the side roads, e.g. Fletchwood Road and Cocklydown Lane. This was frequently raised during the engagement events as being an issue.
- The scheme will not include a section of cycle path directly alongside the A326 between Marchwood and Dibden, in response to a preference from regular cyclists to use an improved on-road route along the parallel section of Hythe Road instead. It is likely that a modal filter will be brought forward at a location TBC along Hythe Road, to significantly improve the walking and cycling environment along Hythe Road. This will in part be facilitated by the proposed new junction south of the Pilgrim Inn, which will largely obviate the need for vehicles to use Hythe Road as a through route.
- A reduced scheme cross-section will be taken forward, which will involve reduced traffic lane, verge and drainage widths in order to reduce the impact of the scheme on the adjacent environment and reduce overall land take.
- Further opportunities to provide parallel measures to improve walking and cycling or manage the traffic flow on alternative routes to the A326 are also being considered, in order to ensure that the scheme meets its aim of getting through traffic back onto the A326 and away from less suitable parallel routes and at the same time providing environmental improvements in adjacent areas which help to encourage travel by active modes. This could include for example measures on the A336 through Cadnam and measures along Trotts Lane.

46. In regard to Equality Impact Assessment (EIA), no impacts have been identified at this stage, as the report is primarily related to approval to undertake the next stage of scheme development work. This development work will aim to design a scheme that is suitable for all users of the transport network and as such at this stage is considered to have a neutral impact on all those with protected

characteristics. However, regarding Age, Disability, Pregnancy & Maternity, and Poverty, the scheme is overall expected to have a positive impact if implemented, as it will include a number of measures that will make crossing the road easier and safer, something that will be of particular benefit to people with those protected characteristics. As part of scheme development work there is the potential for possible equality impacts to be identified and, if so, these will be fully documented in a future Decision report to the relevant Executive Member.

Key Risks for the Scheme

47. There are significant benefits to delivering the scheme for the region, but in being the scheme promoter the County Council has historically taken on a range of project risks. The financial risks associated with being the scheme promoter for the A326 have been endorsed at past Executive Member Decision Days however, the financial risk environment is different to when the County Council first assumed the promoter role. It is different due to exceptionally high levels of construction price inflation as well as increased technical and environmental challenges, which are driving scheme cost increases both in the development costs and in the expected implementation costs. There is also an increased awareness of the County Council's forecast budget gap of £132m for the two years to FY25/26.
48. The table below sets out the key risks associated with both the continued development and the delivery of the scheme.

| Risk | Likelihood | Likely Value range | Mitigation | RAG following mitigation |
|---|-------------------|--|---|---------------------------------|
| Scheme Development funding increases | Low | £200k-£500k | Likely to be able to secure more development funding from external sources including the DfT or Freeport | Green |
| Change of Government in 2024 means that the LLM programme has reduced funding or no longer exists | Medium | Up to £1.5m of funding spent on the scheme to date | Close liaison with DfT but limited ability to mitigate | Amber |
| Scheme does not receive Planning Permission and therefore cannot proceed | Medium | Circa £3m of funding spent on the scheme development | Close liaison with Planning Authorities (HCC and NFNPA) to address their likely issues | Green |
| Scheme unable to demonstrate an acceptable business case and therefore not able to secure DfT funding | Medium | Circa £3m of funding spent on the scheme development | Early assessment of likely value for money and DfT views on this, plus DfT views on the strength of Strategic Case, which could overcome any concerns with value for money. | Amber |

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|---|--------|--|--|-------|
| Scheme increases in price between securing funding for delivery and tendering works | Medium | Estimated at 20% of scheme total costs or up to £25m | Apply Webtag contingency and optimism bias. Reduce scope of project – do less. Do not accept tender and abandon project or reach agreement with partners to underwrite risk in some way. | Green |
| Scheme increases in price after tendering delivery and tendering works | Medium | unknown | Do more upfront design work. Apply smart tendering practices with pain / gain share mechanisms. Tender a fixed price option. Descope scheme. | Green |

49. In order to continue developing this scheme it is important that there is a recognition and acceptance of the risks set out in the table above, together with the mitigation currently proposed.

Finance

50. For the current scheme development stage, the County Council has now secured £2.724million of external funding, which has come from a combination of DfT LLM funding and Solent Freeport funding, as set out in the table below. This has been supplemented by £646,000 of County Council funding from the Scheme Development and Strategies budget, which together makes up the total anticipated costs for developing the scheme to the point of Planning Application and OBC submission, which are £3.37million.

| Funding allocated to date | 22/23 | 23/24 | 24/25 | Total |
|----------------------------------|-----------------|-------------------|-----------------|-------------------|
| DfT Capital Grant | £500,000 | £754,000 | | £1,254,000 |
| HCC Scheme Development Budget | £206,715 | £300,000 | £139,285 | £646,000 |
| Solent Freeport | | £600,000 | | £600,000 |
| DfT Additional Grant | | £280,466 | £589,535 | £870,000 |
| | £706,715 | £1,934,466 | £728,819 | £3,370,000 |

51. A high percentage of the funding for development of the scheme is subject to a clawback clause in the event that the scheme does not progress. Such clauses are rarely, if ever, activated by a funding body. However, a funding body might choose to do so if they considered that a scheme had been abandoned by a promoting authority without due cause. In such a case the County Council would need to find a way of repaying the costs incurred in developing the scheme which clearly escalate as the project progresses. At this time sunk costs are in the order of £1.5m but by the time the Outline Business Case is submitted will be in the order of £3.4m at current estimates. It is important to consider this in the context of the recommendation to continue to be scheme promoter as this risk exposure, although unlikely to occur, grows as the project progresses.

52. For the implementation stage, the current anticipated cost to deliver the scheme is circa £125m, based on the preferred scheme presented in the recent engagement. As part of the LLM programme, the DfT will provide up to 85% of the costs of delivering the scheme, with scheme promoters needing to find the remaining 15% minimum by way of local match. Should the scheme costs remain at £125m, which is not certain for the reasons outlined in the above sections, a local match contribution of circa £19m would need to be found, of which approximately £3m has been secured to date.
53. Options that have been discussed to date for obtaining the required local match funding include the Solent Freeport, by way of borrowing against future retained rates income obtained from tax sites located within the Freeport area. Several of the major development sites in the Solent Freeport area are located within the Waterside and would rely on the A326 for their primary road access and improvements to the A326 are therefore acknowledged by the Solent Freeport as being a key catalyst for helping to unlock development within the Freeport sites.
54. Solent Freeport have advised that borrowing for any investment within its geography will be subject to the receipt of sufficient rates to underwrite the cost of the borrowing and a Board approved full business case identifying all of the funding sources for the proposed project and a suitable commitment being put in place to underwrite any cost overruns.
55. In the absence of the full local match funding coming forward from the Solent Freeport then other local match would need to be secured, which could come from either the private or public sector via mechanisms like Section 106 Developer contributions or the Community Infrastructure Levy, but as outlined further in the section below, the County Council does not intend to put any of its own funding into scheme delivery.

Conditions for Being Scheme Promoter

56. With regard to scheme delivery, the DfT award funding with a condition that once an OBC has been approved and they have agreed to fund a scheme at a certain value, cost increases should be met locally and recommend that LTAs price their schemes with appropriate optimism bias and contingency. Recently the DfT have increased percentages that should be applied to contingency and optimism bias to reflect the new inflationary pressures that have been experienced across the sector.
57. The full conditions which the Solent Freeport may require are unknown at this time and further detail is required regarding the process for awarding funding based on future retained business rates. It has recently been confirmed by Government that the tax incentives associated with Freeport development sites have been extended up to 2031 (subject to a further approval process), which is positive news for the scheme. In practice the longer the incentives last, the timing and value of retained rates flowing to the Freeport should increase and therefore the greater the level of upfront borrowing there is likely to be available for Capital schemes. It is therefore anticipated that the Solent Freeport and its accountable body should be supportive of helping to finance the A326 North scheme, but further detailed discussions with the Freeport will be required to minimise or inform any risk the County Council chooses to take. This is

particularly in regard to the willingness for funding bodies to cover or underwrite any scheme cost increases that occur post OBC-approval, in order to minimise or remove any liability to the County Council.

58. The following finance principles for scheme delivery would be that the County Council will not use its general funding:

- to add to the local match funding
- to contribute to the costs of delivering the scheme
- to underwrite cost escalation that may occur between submission of an OBC and tender returns (typically the DfT will not underwrite this risk but they might given the scale of the scheme)
- to underwrite cost increases after tender has been awarded, unless they are within a certain limit and can be underwritten by a third party

59. The County Council will need to write to funding bodies including the DfT and the Solent Freeport in order to seek confirmation of the acceptability of the above conditions and/or willingness to enter into negotiations around how cost risks could be fully managed. This will need to take place prior to the submission of the OBC and Planning Application for the scheme and confirmation will be required post any OBC approval, or the County Council will be unable to proceed with delivery of the scheme.

Other Key Issues

60. It is currently considered by the County Council that there is a critical piece of work that needs to be carried out regarding the delivery of the Waterside Vision development sites and how to enhance the New Forest National Park / Waterside environment, in light of the potential growth. The County Council cannot lead what would effectively be an environmental enhancement strategy for the Waterside as it encompasses more than what can be delivered as part of the A326 North scheme. However, the County Council is willing to contribute to this work, as elements of a strategy could be delivered by the A326 North scheme, given the requirement for the scheme to not just mitigate its environmental impact, but to provide an overall minimum 10% enhancement in biodiversity as part of the scheme.

61. The County Council has received support for the scheme proposals from key local stakeholders. New Forest District Council have given positive support to the Waterside Transport Strategy and the Solent Freeport have agreed to fund £600k of the development costs. The Waterside Steering Group also receive reports at timely intervals and membership includes the National Park. Prior to submission of the Planning Application and OBC, the County Council will require formal letters of support from key local stakeholders, which will be included as part of the OBC submission to the DfT.

Performance

62. The proposed scheme once implemented would assist with achieving several of the County Council's key strategic aims, namely: Hampshire maintains strong and sustainable economic growth and prosperity; People in Hampshire live safe,

healthy and independent lives; and People in Hampshire enjoy being part of strong, inclusive communities.

63. In terms of the transport outcomes that would be realised once the scheme was implemented, these would include: improved journey times along the A326 helping to address existing congestion and facilitate economic growth in the area; a reduction in severance caused by the A326 (the potential for the road to act as a barrier to movement across it) due to the new crossing facilities that will be provided; an overall improvement in biodiversity in the area due to the package of mitigation and enhancement works that will be required; and improved walking and cycling facilities brought about by the creation of a new greenway and other measures to improve the walking and cycling experience, such as modal filters.

Next Steps

64. If approval is given to continue with developing the scheme, the preliminary design of the scheme will continue, including incorporating various revisions to the feasibility design that was presented in the summer 2023 engagement, the key ones of which are summarised at paragraph 45.
65. The next key milestone will then be to submit the Planning Application for the scheme to the relevant Planning Authorities, which in this instance would be Hampshire County Council Strategic Planning (via a Regulation 3 application) and the New Forest National Park Authority. Around the same time the Outline Business Case (OBC) will be submitted to the DfT for approval and most likely also to the Solent Freeport. It is currently anticipated that the Planning Application will be submitted during autumn 2024.
66. The Planning Application will then be subject to a period of Statutory consultation where stakeholders and members of the public will be able to review all submitted material and make comments / representations, alongside all the statutory consultees. Following this, separate decisions will be made over whether to grant Planning Permission by both Planning Authorities. In tandem with this the DfT will review the OBC and decide whether the scheme will be allocated funding to deliver and proceed to the final stage of the business case process. This is likely to require Ministerial approval given the likely cost of the scheme. It should also be noted that DfT delivery funding is typically fixed based on the amount set out in the OBC.
67. Only once planning permission has been granted, the OBC has been approved, and the County Council is satisfied that appropriate arrangements have been put in place to cover the financial risk to the County Council of scheme cost increases post OBC approval, will a Decision be taken to proceed with the delivery of the scheme. This will be formalised via a report to a future Member decision day.

Climate Change Impact Assessments

68. Given that this report is seeking approval to continue scheme development work only; is not seeking authority for the County Council to implement any physical measures or changes; and that the scheme does not have committed funding in place for its implementation, the Climate Change Adaptation and Carbon

Mitigation tools are not considered to be relevant to this report. Notwithstanding this, a discussion of how the consideration of potential carbon and climate change impacts are feeding into the scheme development is provided below.

Climate Change Adaptation

69. Vulnerability to climate change is a key consideration in the design of the drainage for the scheme, including new or improved bridges, culverts and drainage ditches that will convey highway runoff. These will be designed to the standards set out in guidance, which include an allowance for likely future changes in rainfall frequency and intensity as a result of climate change.
70. Furthermore, as part of the Environmental Impact Assessment for the scheme a full Flood Risk Assessment will be undertaken, as part of the Flood Risk, Drainage & Water Environment chapter. This will ensure that the scheme proposals are designed in such a way that they do not have an overall negative impact on the likelihood for land adjacent to the road to flood, or for existing rivers and watercourses to flood. Again, this will include allowances for likely future increases in rainfall frequency and intensity as a result of climate change. Ideally the proposals will improve the current situation and reduce the likelihood of both river or land flooding to occur.
71. The Environmental Impact Assessment for the scheme will also include a chapter on Climate Change and how the scheme is responding to the challenges associated with this.

Carbon Mitigation

72. The lifetime carbon impact of the scheme, including embedded carbon, is being considered as part of the development of the scheme. Whilst we are still several years away from working with a contractor who will construct the scheme and there is no certainty of getting to this point, there are considerations that can be worked into the design and associated landscape mitigation and enhancement works, to reduce the carbon impact of the scheme. Examples of this include the re-use of existing materials, soils and trees/vegetation that are already on site, rather than importing or using new ones. The scheme will also involve planting significantly more new trees and vegetation than would be removed as part of the works.

REQUIRED CORPORATE AND LEGAL INFORMATION:

Links to the Strategic Plan

| | |
|---|-----|
| Hampshire maintains strong and sustainable economic growth and prosperity: | Yes |
| People in Hampshire live safe, healthy and independent lives: | Yes |
| People in Hampshire enjoy a rich and diverse environment: | Yes |
| People in Hampshire enjoy being part of strong, inclusive communities: | Yes |

Other Significant Links

| | |
|---|-------------------|
| Links to previous Member decisions: | |
| <u>Title</u> | <u>Date</u> |
| Waterside Transport Strategy and Action Plan , Executive Lead Member for Transport and Environment Strategy | 7 November 2022 |
| A326 North Improvements Update , Executive Lead Member for Economy, Transport and Environment | 18 November 2021 |
| Waterside Transport Strategy Update , Cabinet | 16 March 2021 |
| Waterside Transport Update , Executive Member for Economy, Transport and Environment | 19 November 2020 |
| Waterside Vision , Cabinet | 29 September 2020 |
| Waterside Interim Transport Policy, Executive Member for Environment and Transport | 14 November 2017 |
| Direct links to specific legislation or Government Directives | |
| <u>Title</u> | <u>Date</u> |
| | |

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

Document

Location

EQUALITIES IMPACT ASSESSMENT:

1. Equality Duty

The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by or under the Act with regard to the protected characteristics as set out in section 4 of the Act (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation);
- Advance equality of opportunity between persons who share a relevant protected characteristic within section 149(7) of the Act (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic within section 149(7) of the Act (see above) and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

2. Equalities Impact Assessment:

- 2.1. No equality impacts have been identified at this stage, as the report is primarily related to approval to undertake the next stage of scheme development work. This development work will aim to design a scheme that is suitable for all users of the transport network and as such at this stage is considered to have a neutral impact on all those with protected characteristics.
- 2.2. However in regard to Age, Disability, Pregnancy & Maternity, and Poverty, the scheme is overall expected to have a positive impact if implemented, as it will include a number of measures that will make crossing the road easier and safer, something that will be of particular benefit to people with those protected characteristics.
- 2.3. As part of future development work there is the potential for possible equality impacts to be identified and, if so, these will be fully documented in a future Decision report to the relevant Executive Member.