



<u>Committee and Date</u>	<u>Item</u>
Full Council – 16 th May 2019	<u>Public</u>

Shrewsbury North West Relief Road – DfT Programme Entry

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1. Summary

- 1.1 This report will update the Council on the progress towards a recently confirmed funding offer for the Shrewsbury North West Relief Road (SNWRR), following the submission of an Outline Business Case (OBC under the Department for Transport (DfT) Large Local Majors (LLM) funding programme in December 2017.
- 1.2 This report also restates the future financial commitment required by the Council on programme entry to the LLM.
- 1.3 The report describes Shropshire Councils SNWRR Programme Delivery arrangements, to include Team Structures, Stakeholder Engagement, internal and external reporting arrangements, and wider Communications plans.

2. Recommendations

- a) To confirm the Council's Programme Entry into the LLM, taking forward previous Council endorsement of this under the submission of the completed OBC to DfT December 2017.
- b) To authorise the Director of Finance, Governance and Assurance (s151 Officer) to sign the DfT funding offer dated 21st March 2019 thereby agreeing to accept the full terms and conditions detailed therein as per Appendix 2.

- c) To delegate programme development responsibility and spend in line with the submitted OBC, up to Full Business Case submission, and Project Programme and financial profile (as more fully set out in paragraphs 5.1 and 6.3) to the Executive Director of Place in consultation with the Portfolio Holder for Highways and Transport.
- d) Note that a further report will be brought back to Council, to identify the agreed mechanism by which the Council's funding will be obtained and allocated as part of the approval of the Full Business Case submission.

3.0 REPORT

3.1 The SNWRR proposal has been in the public domain for many years. There have been numerous studies and evaluation exercises around the proposal throughout its lifetime, although none of these to date have proceeded to a full bid for construction costs. At the start of the 2016 year, there was therefore a wealth of study and evaluation data collated and held by the Council, although given the protracted period over which this had been gathered, its relevance to Shrewsbury's current position was in question.

3.2 The lack of a direct road link between the northern and western parts of the town has been a major source of traffic problems for a very long time. Both the northern and western approaches to the town centre are heavily congested at peak times, and the presence of through traffic in the town centre leads to long queues and delays, blocking back through key junctions. None of these routes is suitable for this traffic, but there are no practical alternatives for most trips.

3.3 Shrewsbury continues to grow. New development is already under way at the southern Sustainable Urban Extension (SUE), and further growth is planned at the western SUE. Nationally, traffic levels are starting to rise again after the years of recession. The highway network is again under strain. One consequence of this is that incidents on one part of the network quickly lead to traffic backing up, or diverting, causing problems over a wider area. This lack of resilience is a concern. As traffic demand increases, we expect to see more traffic on the north-west corridor through the town, increased congestion, queuing and delay, adverse impacts on noise and air quality and increased transport costs to the regional and local economy.

3.4 Key problems;

The key problems are identified as:

- Traffic congestion
- Poor connectivity between the north and west of Shrewsbury for all modes of transport
- Unreliable journey times and long delays
- “Rat-running” traffic on unsuitable rural roads
- Inefficiency of the transport network, especially for buses
- Lack of network resilience
- Road accidents
- Poor air quality
- Carbon and other greenhouse gas emissions

3.5 In the future, as the town grows and background traffic demand increases, if nothing is done it is expected that all of the above problems will worsen. Traffic congestion is likely to get worse and journey times will become longer and less predictable as the network becomes less resilient, affecting both public and private transport. Rat-running could increase, as could accidents. In addition:

- Junctions on the existing bypasses (especially A5/A49 Dobbies Island) will become increasingly congested
- The Shrewsbury West Sustainable Urban Extension will suffer from poor accessibility to the north, making it less attractive to new development
- New transport investments, especially the proposed Oxon Link Road and SITP, will not achieve their full potential as projects.

3.6 Aims and objectives

The **primary aim** of the Shrewsbury North West Relief Road is:

- **To improve Shrewsbury as a place in which to live, work and invest, by reducing congestion.**

The desired **high level or strategic outcomes** are:

- To reduce congestion
- To support the economic competitiveness of Shrewsbury and Shropshire
- To support the delivery of planned growth and development in Shrewsbury
- To enhance the benefits of other transport investment
- To protect and enhance Shrewsbury’s built and natural environment
- To contribute towards a reduction in greenhouse gas emissions
- To improve the quality of life for people in Shrewsbury

- To improve road safety
- To support sustainable modes of transport

The **specific or intermediate objectives** are:

- To reduce traffic congestion
- To improve connectivity and accessibility between the north and west of Shrewsbury for all modes of transport
- To improve the reliability of journey times and reduce unforeseen delays
- To reduce the amount of traffic rat-running on unsuitable rural roads
- To improve the efficiency of Shrewsbury's transport network for all modes of transport.
- To improve the resilience of Shrewsbury's transport network.
- To enhance the benefits of the Oxon Link Road and Integrated Transport Plan schemes.
- To reduce the number of people killed or seriously injured on roads in Shrewsbury.
- To improve air quality, especially in the built-up areas of Shrewsbury
- To reduce net emissions of CO₂ and other greenhouse gases

The **operational objectives** are:

- To provide a new river crossing between the western and northern parts of the town, linking the A5 (west) to the A49 (north).
- To reduce traffic congestion in Shrewsbury town centre, on the north and west approaches to the town, and on the bypasses
- To significantly reduce journey times and distances between the north and west of Shrewsbury
- To significantly reduce the amount of traffic unnecessarily crossing the town centre
- To provide traffic relief to key junctions on the existing bypasses, including the A5/A49 Dobbies Island.
- To significantly improve the accessibility of the Shrewsbury West Sustainable Urban Extension.

3.7 The SNWRR remained on the Council's strategic pipeline schemes list, but with the evidence base being in need of further development work. Shropshire Council submitted a bid for funding under the Department for Transport's LLM. This application was submitted via, and supported by, the Marches Local Enterprise Partnership. Allocations under the bidding round were allocated on a competitive basis by DfT.

3.8 Shropshire Council was successful in being awarded £942,875 of external funding under the LLM.

3.9 This round of the LLM gave the opportunity to access external DfT revenue funding within the 2016/17 financial year. The bid requested funding to refresh historic evidence held concerning the SNWRR, with a view to examining the current potential to re-establish a business case for the SSNWRR.

3.10 A refreshed business case allowed Shropshire Council to put the concept of a SSNWRR into a present day setting, where such initiatives as the Shrewsbury Integrated Transport Package and the Oxon Link Road are now programmed for delivery over the next 5 years. Wider acknowledgement of the town centre development potential, and the aspirations of the Shrewsbury Big Town Plan are also able to be referenced and assisted.

3.11 The completed OBC was submitted to DfT in December 2017 following Council endorsement of the funding profile (13th Dec 2017 – Appendix 1), 5 year build plan, and the requirement for a local funding contribution.

3.12 Following a year of standstill pending DfT's announcement of successful LLM schemes, the award of funding and LLM Programme Entry Offer was finally confirmed 21st March 2019. (Appendix 2)

4. Large Local Majors Programme Entry, DfT Offer Letter (See Appendix 2), and associated risks.

Conditions summary;

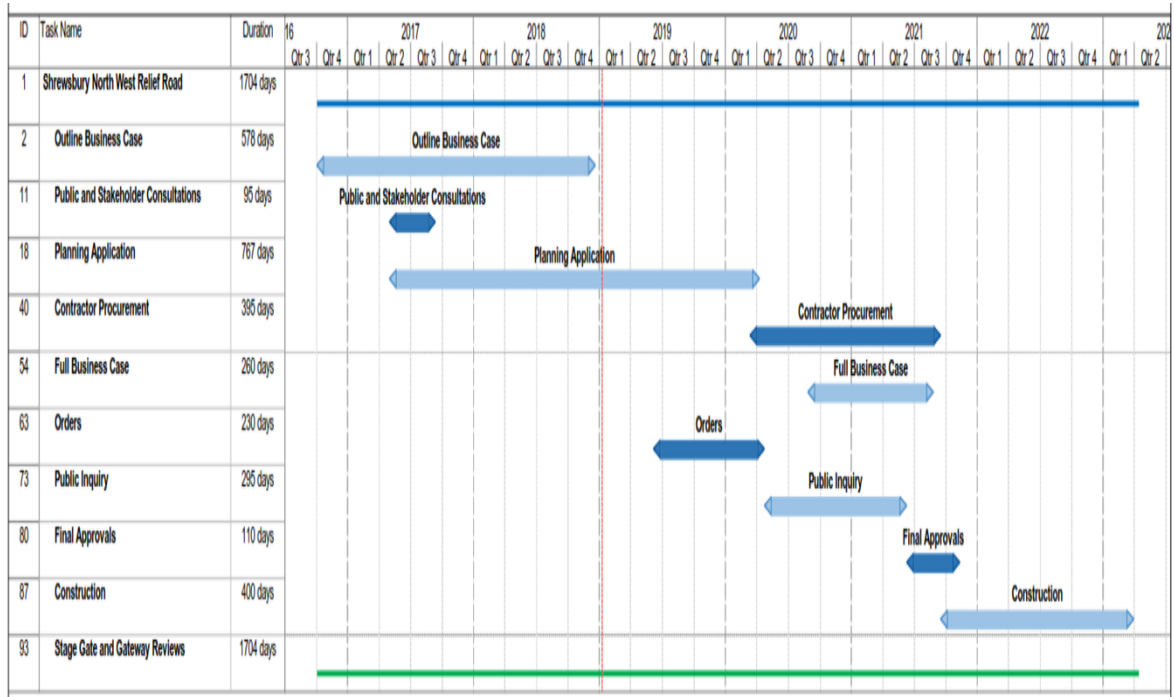
- £54.4m offer (capped) towards estimated scheme cost in OBC of £71.4m, to be paid as a Capital Grant
- Shropshire Council is solely responsible for spend over and above the total scheme amount
- Release of construction funding reliant on progress through Full Business Case tests (est Sept 2021)
- Quarterly financial and progress monitoring process with DfT

4.1 Risks

Risk	Mitigation
DfT Funding could be withdrawn at any time due to national funding issues	Ongoing liaison with DfT nationally on a quarterly basis on project monitoring and forecasting, also ongoing local liaison with DfT stakeholder representative. This will allow the programme to be managed with maximum foresight of any changes to DfT funding allocations.
FBC with any increased costs and/or scope not accepted by DfT	To work to submitted OBC programme in establishing market costs and construction programme costs. Early engagement with DfT to be undertaken on establishment of actual construction costs, prior to FBC being submitted. Consideration of increased local funding contribution. Value engineering approach in latter design stages as required
Project delivery suspended / halted due to local changes in circumstance (financial, planning, Public Enquiry) leading to financial clawback	Establishment and management of local project risk register, ongoing engagement with Planning Authority and key stakeholders and rigorous pre-application preparation.
Land and asset acquisition being made by Shropshire Council in advance of accepted FBC	All land acquisition agreements to be made pending, and subject to, the condition that FBC is accepted by DfT
Costs in FBC preparation exceed current OBC forecasts	Work programme and resource allocation to engineering, stakeholder engagement, traffic modelling, project management and pre planning preparation to be monitored and managed closely by SNWRR Project Board.
ESIIA requirement as part of ongoing project delivery	To undertake ESIIA most usefully in parallel with planned public and stakeholder engagement under the pre planning application process. Regular updates will be made as overall SNWRR design elements are finalised

5. Revised Delivery Programme.

5.1 Following the 2018 year standstill, and in line with the required 5 year funding programme through DfT, the following revised programme has been agreed. Full details are contained in Appendix 3, a summary of this is below;



5.2 Key Dates;

- DfT Funding Award – 21st March 2019
- Planning Application Submitted – January 2020
- Planning Committee – Spring 2020
- Commence Procurement – Summer 2020
- Public Inquiry – Spring to Summer 2021
- Final DfT endorsement – Winter 2021
- Contract Award – Winter 2021
- Construction Starts – Spring 2022
- Road Open – Spring 2023
- Full construction (off highway) completed Spring 2024

6. Financial Implications

6.1 Outline Business Case preparation costs to submission

Shropshire Council submitted a bid for funding under the Department for Transport's Local Major's Fund (LMF) in September 2016. This application was submitted via, and supported by, the Marches Local Enterprise Partnership. Shropshire Council was successful in being awarded £942,875 of external project development revenue funding under the LMF, this being matched with £49,625 of Council funds.

This funding was utilised to prepare and submit the completed Outline Business Case to DfT in December 2017 following Council endorsement of the funding profile (13th Dec 2017 – Appendix 1), 5 year build plan, and the requirement for a local funding contribution.

The Outline Business Case was finalised and submitted with estimated construction costs of £71.4m and the requirement to show a local funding contribution of between 20% and 30%. This was included in the bid as follows:

Department for Transport	£54,406,419
Shropshire Council	£16,993,081

The local funding contribution of £16.993m represents 23.8% of the final submitted construction costs and meets the requirement to contribute to between 20% and 30% of the costs.

6.2 Summary of the Economic and Financial Cases

The Economic Case identifies and assesses all the impacts of the proposed scheme to determine its overall value for money. It takes account of the costs of developing, building, operating and maintaining the scheme, and a full range of impacts, including those impacts which can be monetised.

Model outputs (based upon the 2009 fixed demand model) within the Outline Business Case indicated a Benefit Cost Ratio (BCR) of approximately 4.

In DfT value for money (VfM) terms this is considered to offer a **very high** value for money.

- Poor VfM - if BCR is below 1.0;
- Low VfM - if the BCR is between 1.0 and 1.5;
- Medium VfM - if the BCR is between 1.5 and 2;
- High VfM - if the BCR is between 2.0 and 4.0; and
- Very High VfM - if the BCR is greater than 4.0.

This assessment forms part of the DfT decision on funding for the project and any changes that could alter the value for money calculation on the project could result in a reconsideration of the funding offer.

6.3 Financial profile

The Outline Business Case submission detailed an annual spending profile as set out below:

	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	Total
Government/ DfT Funding	£192,535	£5,151,574	£3,995,409	£10,660,476	£34,406,425	£0	£54,406,419
SC Contribution	£350,000	£991,491	£768,971	£2,051,754	£6,622,535	£6,208,330	£16,993,081
Total	£542,535	£6,143,065	£4,764,380	£12,712,230	£41,028,960	£6,208,330	£71,399,500

On acceptance of the award offer, the original OBC funding programme dates will be revised to match the actual commencement date, and used to draw down costs incurred during the stage of developing the project to Full Business Case submission.

During the final business preparation, which is due for final submission by Q3 2021/22, the Council will incur costs estimated up to £15m to meet the requirements for DfT final approval. The final business case will need to include:

- Confirmation of the overall cost and scope of the scheme;
- A declaration that the Council has acquired all the necessary statutory powers to construct the scheme;
- Confirmation that the Council has completed the procurement process to a stage where it has a preferred bidder and a firm and final offer; and
- Confirmation from the Section 151 officer that the Council has the ability to cover all remaining funding required.

The current funding offer allows the Council to complete the negotiation of all the remaining legal and procurement processes required, following which a request for full approval can be made, but not enter into final contractual or other legal commitments.

It is estimated that the cost of work to proceed to Full Business Case will be a maximum of £15m. This will be comprised of both design and survey costs, but

may also include the early establishment of agreements to acquire land and property by the Council as required, in order to construct the road.

The estimated cost of £15m to Full Approval will be incurred in the following areas:

- Final full design
- Site surveys
- Site investigations
- Securing Planning Application
- Stakeholder Management
- Public Exhibitions and Consultation
- Final Business Case preparation
- Statutory undertaking
- Land costs – exchange and completion following Full Approval.

It is intended that the majority of these costs will be drawn down from the DfT in line with the funding profile agreed as part of the Outline Business Case. There will remain a risk until Full Approval that full or part of these costs cannot be reclaimed from the DfT and this has been recognised in the Risk in section 4.1.

To ensure this risk is kept to a minimum the Council must remain fully engaged with the DfT throughout the period to Full Approval via the Large Local Majors Quarterly Monitoring Return. This reports on both project progress and estimated outturn costs at each quarter end and will highlight any changes to the overall cost, scope or design of the project that would be considered to be material.

6.4 Local Funding requirements

Under the Large Local Majors Programme, there is a requirement for the Council to provide local match funding. As agreed under the submitted Outline Business Case, this is at a level of £16,993,081 (23.8%).

At the point of Outline Business Case submission, the maximum local contribution was capped at £25m (Appendix 4)

It is expected that the majority of the local funding spend will be deferred to the second half of the SNWRR Programme (see above spend profile), and that the call on this will be in the majority, post 2021/22 year.

At the point of Programme Entry, there is no requirement to confirm the mechanism or source of this local funding requirement. It is only at the time the Council agrees to pursue the scheme further, through Full Business Case (Q3

2021/22) to construction that the detail and final value of the local contribution will need to be agreed and contracted with DfT.

Work to produce the Final Business Case will be informed by market testing of construction and material costs in order to refine the final local contribution value. The values stated within the current OBC are calculated with a risk value (“worst case scenario”) at this point, and issues such as material and construction sector inflation will be fully resolved at the point that the Final Business Case is submitted.

There remains a risk that, during the Final Business Case preparation, market costs, material costs / inflation, and ground and design constraints may impose higher costs of the construction programme, but these will be known at the time of Final Business Case submission.

The funding offer letter states that there will be no further funding provided by the DfT and that Shropshire Council is solely responsible for meeting any expenditure over and above their grant offer amount of £54.4m.

The funding offer letter also states that if the estimated costs of the project fall below the £71.4m currently estimated, the DfT contribution will reduce proportionately.

During the development of the Full Business Case, the Council will seek to secure partnership funding for the project from a number of potential sources including the following:

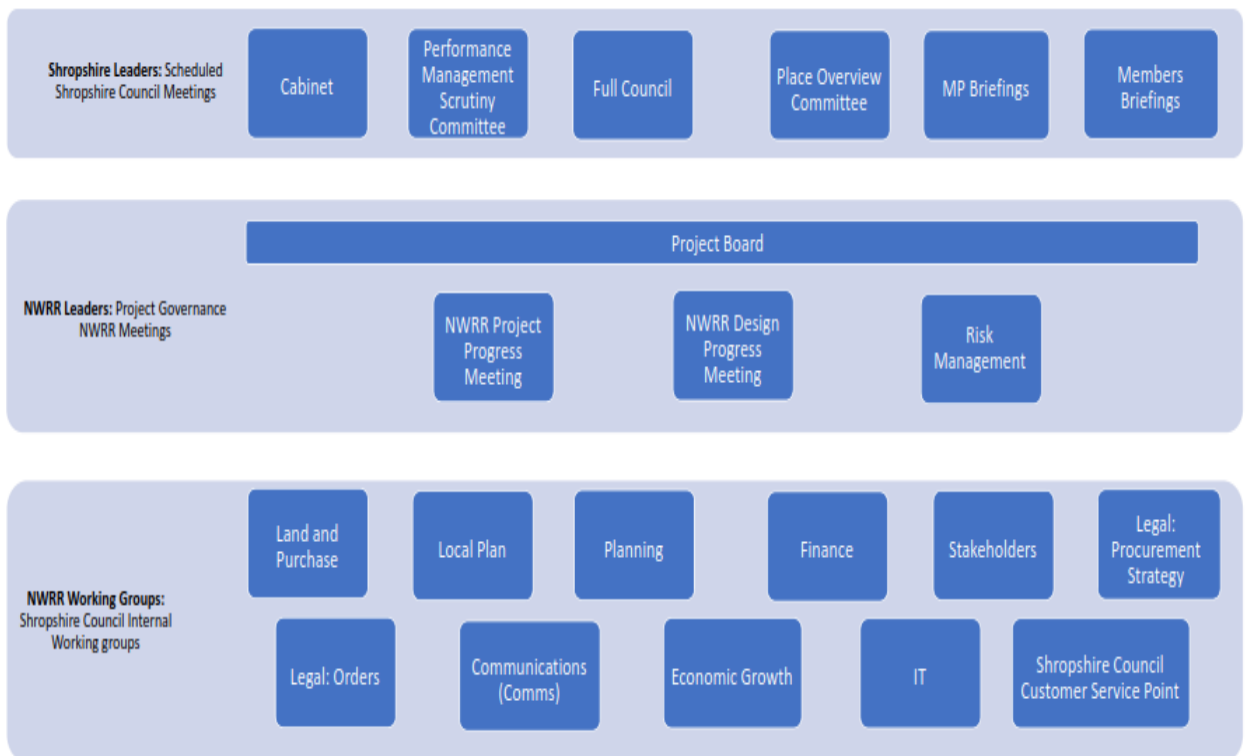
- Developer Contributions – Where such Employment and Housing sites are released by the SNWRR, or where the delivery of the SNWRR mitigates the traffic impacts of such developments within the town
- Midland Connect regional funding programmes
- Marches LEP local funding programmes
- Negotiation with DfT on the proposed local intervention rate (currently at 23.8%)

The Final Business case, including full detail of the construction costs and local funding contribution and sources will be required to be approved by Full Council in due course prior to submitting.

7.0 Project Governance Structure

The SSSNWRR Project will be delivered through the below structure. This will ensure both internally, and with wider Member and Stakeholder groups that the following matters are effectively managed and updates disseminated;

- Financial monitoring and reporting
- Project progress reporting
- Member liaison and scrutiny
- Stakeholder engagement and consultation
- Risk management and mitigation
- Effective communications
- Appropriate cross project working in order to assist in the delivery of wider Council objectives (Shrewsbury Big Town Plan, Western and Southern SUEs, town centre regeneration, SITP etc.)



List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

National Policies

- Creating Growth, Cutting Carbon: Making Sustainable Local Transport Happen. Local Transport White Paper, 2011:
- Roads Investment Strategy 2015/16 to 2019/11
- National Infrastructure Delivery Plan (2016 – 2021)
- Roads Investment: The Roads Funding Package
- National Planning Policy Framework (NPPF)

Regional Policies and Guidance

- The Midlands Engine for Growth Prospectus and Midlands Connect Strategy
- The Marches Strategic Economic Plan: “Accelerating Growth through Opportunity
- The Marches LEP –Strategy for Growth (2013 – 2022)
- The Marches Growth Deal
- The Marches and Mid-Wales Freight Strategy

Local Policies

- Shrewsbury Growth Point
- Shropshire Local Plan (2011 - 2026)
- Shrewsbury and Surrounding Area Place Plan
- Shropshire Local Transport Plan (2011 – 2026)
- Shropshire Economic Growth Strategy (2017 - 2021)

Dec 2017 SSNWRR OBC - <https://www.shropshire.gov.uk/roads-and-highways/shrewsbury-north-west-relief-road/>

Cabinet Member (Portfolio Holder) Cllr Steve Davenport

Local Members;

Cllr Peter Adams

Cllr Peter Nutting

Cllr Alexander Phillips

Cllr Ioan Jones

Cllr Dean Carroll

Appendices

Appendix 1. Cabinet Report December 2017

Appendix 2. DfT Programme Entry Communications

Appendix 3. SNWRR Draft Delivery Programme

Appendix 4. S151 letter - OBC submission