



Committee and Date
Full Council - 29 Feb 2024

Item

Public



Shrewsbury North West Relief Road – Funding Delegation

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|---|-------------------------------|------|---------------|
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| Cabinet Member (Portfolio Holder): | Cllr Dan Morris | | |

1. Synopsis

This report seeks authority to spend a further £16.981m Capital funding towards delivery of the Shrewsbury North West Relief Road (NWRR), and updates previous forecasts around costs and required delegations up to the completion of the Full Business Case (FBC)

2. Executive Summary

2.1 The NWRR Scheme is a strategic transport project that aims to provide a new single carriageway road linking the northern and western parts of Shrewsbury, reducing congestion, improving air quality, and supporting economic growth and allocated housing delivery in the area. It will also act as an enabler to Shrewsbury Town Centre projects around Riverside, LUF2 and the provision of enhanced active Travel measures under the Big Town Plan Movement Strategy

Additional Forecast benefits include

- Reducing congestion and journey times on the existing road network, especially in the town centre, by providing a new and more efficient route for local and strategic traffic.

- Improving air quality and public health by reducing emissions and noise from traffic, and by encouraging the use of sustainable modes of transport, such as walking, cycling, and public transport.
- Supporting economic growth and regeneration by improving the accessibility and the connectivity of Shrewsbury and the surrounding areas, and by creating new opportunities for business, employment, housing, and tourism.
- Enhancing the quality of life and the well-being of the local community by reducing the negative impacts of traffic on the historic and natural environment, and by providing new green spaces and recreational facilities.
- As such, the project will align in part or fully with the Healthy Economy, People and Environment pillars within the Shropshire Plan.

2.2 The full NWRR alignment comprises two discrete elements. The Oxon Link Road (OLR), funded in part by the Marches Local Enterprise (section from Churncote Roundabout, A5, to Holyhead Road), and the wider DfT part funded section (Holyhead Road to Battlefield Island).

2.3 The budget for the Oxon Link Road section in isolation was approved by Council in 2016/17 at a total of £12.9m, funded from £4.2m LEP and £8.7m from Section 106 Developer Contributions. In 2019/20 Council approved a delegated budget of £15m for programme entry into the Department for Transport’s Large Local Majors funding for the NWRR section. Both projects remain in the Capital Programme as separately funded schemes due to the requirements of the funding partners.

2.4 For the purposes of Planning and the Main Construction Contract, these two elements are managed as a single project, and referred to holistically as the NWRR.

2.5 Since May 2019 (NWRR) and Feb 2017 (OLR), the NWRR has been in delivery, following Outline Business Case endorsements by both funders and budget requirements being built into the Council’s Capital Programme. Background Papers listed at the end of this report lay out the Council decisions and approvals that support this position.

2.6 Previous financial delegations (below) cover activities across the whole NWRR alignment, particularly where activities (Environmental mitigation, advance works and Carbon assessments for example) are scheme wide.

| | |
|--------------|---------------|
| NWRR | £15.0m |
| OLR | £12.9m |
| Total | £27.9m |

2.7 The current delegation was set around the expected timetable to FBC for the NWRR to DfT and included the forecast costs around completion of other activities in parallel including, Planning Application, Advance Utility Works, Detailed Design and Main Contractor Procurement.

2.8 Following the grant of Planning Permission (subject to finalisation of proposed Conditions and the signing of required S.106 agreements) on the 15th of

February 2024, the Council now needs to move to completion of the Final Business Case (FBC) for consideration by the Council and DfT.

- 2.9 The protracted planning permission process has given rise to the need to continue to incur expenditure on key activities. Whilst some delay was anticipated by the project and costed accordingly at the time of the originally requested £27.9m delegation, the size of this delay was unexpected. This period has also seen unprecedented market inflation, which has also impacted the project at a higher rate, and for longer than was envisaged, and has caused considerable cost pressures around the 2017 OBC cost estimate.
- 2.10 To maintain progress around the agreed programme with funders, the Project also needs to continue to deliver several other parallel activities in advance of the Main Contractor mobilisation.
- 2.11 This report presents the basis for allocating additional budget to fund the process of producing the FBC for the North West Relief Road (NWRR) Scheme, along with other required activities programmed for delivery in this time frame.
- 2.12 The FBC is the final stage of preparation, and it requires a detailed assessment of the scheme's costs, benefits, risks, and delivery plan. The FBC is expected to be submitted to the DfT by December 2024, once approved by Full Council.
- 2.13 The OLR FBC presented to the Marches LEP was endorsed by LEP Board in December 2023.
- 2.14 The current budget delegation to the Executive Director of place (granted May 2019) for the FBC process and associated activities is £27.9m, which was based on a preliminary estimate. However, due to the complexity and the scale of the scheme, and nearly two years extension around the Planning process, the FBC and associated advance works process is projected to incur additional spend of £16.981m up to December 2024. Included within this additional spend is £6.667m expected from the DfT as part of the drawdown of the Large Local Majors Grant for 24/25.
- 2.15 The additional budget delegation will enable Shropshire Council to complete the FBC process on time and to the required quality and standards, ensuring that the scheme's costs, benefits, risks, and delivery plan are robustly and transparently assessed and presented. This will enable full Council to make a properly informed decision on whether to submit this proposal to the DfT for approval.
- 2.16 The additional delegation will increase the likelihood of securing the DfT's approval and funding for the NWRR Scheme, and of the project staying on its current programme, which is a critical and urgent project for the transport network and the economy of Shrewsbury and the wider region.

3 Recommendations

That Council:

- 3.1 Approves the delegation of programme development responsibility for the NWRR together with authority to spend up to an additional £16.981m (as set out in more detail within the table at paragraph 5.9 below) so as to enable the completion of the Full Business Case submission, to the Executive Director of Place in consultation with the Portfolio Holder for Highways and Transport, noting that £6.667m of this will be funded by the DfT Large Local Majors Grant. The breakdown of this delegation, including contingency, is £16.499m advance works costs, £181,500 to deliver the FBC, and £300,000 to cover exceedance of current delegation.
- 3.2 Confirms, for the avoidance of doubt, that the previous total combined delegation of £27.9m was comprised of £15m (NWRR) and £12.9m (OLR).

4. Report

Risk Assessment and Opportunities Appraisal

- 4.1 The main risks of not securing the £16.981m of budget delegation to fund the FBC process and advance works include that the Council:
 - may not be able to complete the FBC process in line with the current programme requirements, and to the required quality and standards, resulting in a delay or a rejection of the DfT's approval and funding for the NWRR Scheme.
 - is unable to continue with critical works in advance of the FBC submission, that on completion will allow the project to remain on the agreed delivery programme with funders, with expected road opening in March 2027.
 - will be unable to undertake works required to discharge Pre-Commencement Planning Conditions as agreed at Planning Committee 15th Feb 2024, which will delay delivery of the overall project by up to a further 2 years.
 - may have to reduce the scope and the quality of the FBC process, compromising the robustness and the transparency of the scheme's costs, benefits, risks, and delivery plan.
 - may have to divert resources and funds from other essential services and projects to cover the funding gap of the FBC process, affecting the delivery and the performance of the council's functions and priorities.
 - may lose the confidence and the support of the stakeholders and the public for the NWRR Scheme, damaging the reputation and the credibility of the council and the scheme.
 - may miss the opportunity to deliver the NWRR Scheme, which is a vital and beneficial project for the transport network, the environment, and the economy of Shrewsbury and the wider region.

- 4.2 The following mitigation measures are proposed to reduce the costs and the uncertainties of the FBC process and secure the confidence of DfT in allocating funding. - the Council will:
- continue to monitor and control the costs and the risks of the FBC process and will report any changes or issues to the DfT and the project Governance structure on a regular basis.
 - review and optimise the FBC process and will identify and implement any potential savings or efficiencies, without compromising the quality and the standards of the process.
 - continue to engage with the stakeholders and the public throughout the FBC process and will demonstrate the value and the benefits of the NWRR Scheme for the local community and the region.
 - collaborate and communicate with the DfT and other relevant authorities and will provide clear and convincing evidence and justification for any additional budget request.
 - explore and secure any alternative or additional sources of funding or support for the FBC process and the NWRR Scheme, such as from the local Enterprise Partnership successor, the private sector, or the government's Levelling Up Fund.

5 Financial Implications

- 5.1 The preparation of the Full Business Case (FBC) and the delivery of essential early works (environmental discharge of planning conditions, environmental mitigation works, and advance utility diversion works etc) have been unavoidably delayed through the planning process for around 2 years beyond the initial programme expectations.
- 5.2 There has remained however a need to keep driving the project forward to meet external funder timescale requirements and local expectations around the year of opening. As such the original delegation limits to progress the project had been reached by October 23 Planning Committee. Following the unexpected requirement to again return to Planning Committee with Conditions prepared by the LPA following the decision to grant Full Planning Permission, there has been a further 4-month delay to Feb 2024. Within this time, the project has exceeded its current delegation, however in order to make an accurate updated request, it has been necessary to pause, pending the outcome of second Planning Committee on 15th Feb in order to accurately estimate the revised delegation value.
- 5.3 Due to the delay in the reconvening of the second Planning Committee, the project has now incurred costs of £28.2m as at end of Quarter 3 2023/24. The £0.3m variance over the £27.9m delegation can be accommodated within financial rules through the existing powers available to the Executive Director of Place, and allocated to the current period grant draw down from DfT. This allows the project to progress in line with programme, pending the approval of the further delegation.
- 5.4 As the project is externally funded as a Capital scheme, with Council match as required through developer contributions, there is no impact on, or use of, local taxpayers' money in continuing the progress of the scheme. Moreover, it is not

affected by, or taking from, allocations made in the most recent Medium Term Financial Strategy.

- 5.5 It should be noted that not all the £28.2m cost to date has been incurred by the Council itself, as both LEP and DfT funding has been used to offset this cost. The Council have drawn £4.2m from the LEP and £16.8m of DfT funds which total £21m, therefore only exposing the Council to £7.2m of costs within the total spend to date.
- 5.6 The Project is aware of the likelihood of external challenge to the Planning decision through a Judicial Review process or similar and will need to address these as they arise. It is hoped that these can be dealt with within the current procurement and FBC preparation window to December 2024.
- 5.7 The FBC is programmed for submission to DfT in December 2024, following Council approval, so triggering the release of the final construction funds.
- 5.8 All works to be undertaken in the period Feb to Dec 2024 are consistent with the project delivery approach prescribed in the accepted Outline Business Cases (OBC), but the sequencing of these has naturally had to flex to accommodate the extended planning process. As such, the revised delegation does not introduce an increased scope of works, rather a revised programme to accommodate the delayed FBC.
- 5.9 The required works and activities up to December 2024 are summarised below with the estimated costs reviewed in February 2024 to ensure current market rates are reflected. These works are also allocated a contingency value to manage risks around cost certainty.

NWRR - Advanced Works and FBC - Total Costs

| Activity | Estimate | Contingency (10%) | Total |
|---|----------------------|---------------------|----------------------|
| Archaeology Works | 566,519.66 | 56,651.97 | 623,171.63 |
| Test Pile | 5,000.00 | 500.00 | 5,500.00 |
| Borehole Installation & Monitoring | 25,000.00 | 2,500.00 | 27,500.00 |
| Basin 8 Infiltration Testing | 50,000.00 | 5,000.00 | 55,000.00 |
| Access to Sites – permanent access roads to be installed where possible | 50,000.00 | 5,000.00 | 55,000.00 |
| Potential CCTV Drainage Survey | 10,000.00 | 1,000.00 | 11,000.00 |
| Badger Sett Construction | 82,307.09 | 8,230.71 | 90,537.80 |
| Bat Box Installation | 48,717.13 | 4,871.71 | 53,588.85 |
| Demolition of West View | 211,586.52 | 21,158.65 | 232,745.18 |
| Environmental Scope - content | 50,000.00 | 5,000.00 | 55,000.00 |
| Additional Kier Advance Works | 1,000,000.00 | 100,000.00 | 1,100,000.00 |
| Utilities Diversion | 8,982,958.53 | 898,295.85 | 9,881,254.38 |
| Utilities Diversion - Kier | 449,147.93 | 44,914.79 | 494,062.72 |
| WSP Fees | 3,468,663.00 | 346,866.30 | 3,815,529.30 |
| FBC Production | 165,000.00 | 16,500.00 | 181,500.00 |
| Current Delegation Exceedance | 300,000.00 | 0.00 | 300,000.00 |
| | 15,464,899.86 | 1,516,489.99 | 16,981,389.85 |

5.10 Due to the described delays and design revisions deemed necessary through engagement with statutory consultees through the Planning process, the impact of uncontrollable market inflation and the enhanced designs will see final costs appreciably higher than those forecast in the 2019 OBC.

5.11 The £16.981m delegated spend request shown at 5.9 however still sits within the overall agreed financial strategy accommodations made by Council at OBC (see below table). Included within this delegated spend is £6.667m expected from the DfT as part of the drawdown of the Large Local Majors Grant for 24/25, the remainder being currently allocated funding through Council capital receipts and developer contributions / CIL, contingent upon further announcements around increased central government funding (see 5.13)

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|---|
| Existing Approved Council Budget - OLR / NWRR - (At OBC) |
| DfT Funding £54.4m |
| LEP Funding - £4.2m |
| Balance funded by Shropshire Council ; |
| £19.8m (NWRR) |
| £8.7m (OLR) |
| Total Approved Budget- £87.1m |
| Spend to date - £28.2m |
| Delegation Request - £17.265m |
| Balance - £41.635m |

5.12 A full open market procurement exercise is now underway with considerable market interest being shown by major supply chain companies, and this will ensure the best current market value for money at contract award. There also remain options to consider further Value Engineering approaches with the appointed contractor in due course, to further drive costs down in delivery. Any Value Engineering decisions will be overseen by existing Project Governance structures and will be made in the light of existing requirements as prescribed within Planning Conditions and will not impact on the projects ability to fully discharge these prior to and during Main Works construction. The FBC will identify and confirm the forecast final total project costs.

5.13 In October 2023, the Secretary of State for Transport Mark Harper said the government would 'fully fund' the scheme. No formal offer has yet been received by the Council. This offer however, explicitly states that it will address the recent uncontrollable inflationary pressures for LAs in delivering such projects. Senior Council Officers are in regular contact with the Department for Transport (DfT) and have been given no reason to believe that Government support for the NWRR will be anything other than that announced by the Secretary of State. Further guidance on this is expected imminently.

6 Climate Change Appraisal

6.1 During the development of the NWRR Project, Shropshire Council declared a 'climate emergency'. This has focused attention onto reducing carbon

emissions from the construction of the Project. The carbon management assessment of the NWRR Project aims to demonstrate any savings of carbon emissions will be delivered for the project wherever possible within the design. To achieve this, the design will continue to seek to reduce the carbon associated with the Project in accordance with PAS 2080 Carbon management in infrastructure verification. The NWRR has also undertaken a comprehensive Carbon Assessment as part of its impact assessment, covering both the build phase and future use impacts. This has been validated and endorsed by independent peer review at Birmingham University. Within the future costings model for the NWRR there is now a quantified Carbon reduction valuation, which offers the potential to place the NWRR at carbon neutrality within its operational lifetime.

- 6.2 In a wider context, the current development of the Local Transport Plan 4 by the Council will be fully aligned with the Carbon Mandate and modelling requirements within DfT guidance to be published shortly. As such, this will put carbon assessment and management at the heart of future transport, infrastructure and project delivery. The LTP4 is due to be published within the next 12 months, pending the publication of the relevant national guidance.
- 6.3 At Planning Committee 15th Feb 2024, the following Condition, proposed by the LPA, was accepted by the project.

Condition 41:

No development shall commence until the Carbon Assessment Plan has been submitted for approval to the Local Planning Authority. The Carbon Assessment Plan shall include in its scope, the built design, construction phase impacts and future use Page 6 scenarios for the project, how the project will demonstrate achievement of a net-zero carbon outcome, and location of carbon offsetting or removal activity within Shropshire or neighbouring local authority area. Particular attention should be paid to minimising the release of carbon embodied in the vegetation cleared from the route. Development shall not commence until the Carbon assessment plan has been approved in writing by the Local Planning Authority. The development shall be carried out in accordance with the approved Carbon Assessment Plan.

Reason: To allow the Council to meet its declared climate change objectives in accordance with Policies SC6 "Sustainable Design and Development Principles" of the Shropshire Core Strategy, MD2 "Sustainable Design" and MD8 "Infrastructure Provision" of the Shropshire Council Site Allocations and Management of Development (SAMDev) Plan.

7.0 Background

- 7.1 The NWRR Scheme is a complex and large-scale project that involves multiple technical, environmental, and construction aspects, such as ecological mitigation, management of construction activities with potential impact on hydro-geological features and the Source Protection Zone, heritage protection, traffic modelling, economic appraisal, and community engagement.

- 7.2 The FBC process requires a high level of detail and accuracy in assessing and presenting these aspects, which entails significant resources and expertise.
- 7.3 The COVID-19 pandemic has had a negative impact on the delivery timetable and the supply chain of the FBC process, causing delays, disruptions, and cost increases. For example, the public consultation, which was originally planned for the summer of 2020, had to be postponed to the spring of 2021 due to the lockdown restrictions and the social distancing measures. The pandemic has also affected the availability and the prices of the contractors, consultants, and materials that are needed for the FBC and associated advance works requirements.
- 7.4 The Planning Application process has encountered some unforeseen issues and delays of around 2 years, that have required additional work and analysis, in particular the approach to construction within a Source Protection Zone, the need for a revised flood risk assessment, and the uncertainty over the future traffic demand and travel behaviour due to the pandemic.
- 7.5 The FBC process has to comply with the latest guidance and standards from the DfT and other relevant authorities, such as the Treasury, the Environment Agency, and the Highways England. These guidance and standards are subject to change and update, which may require additional data collection, modelling, and reporting.
- 7.6 The FBC process has to ensure that the scheme's design and delivery are aligned with the wider strategic objectives and policies of Shropshire Council and the DfT, such as the climate change agenda, the green recovery plan, and the levelling up agenda. These objectives and policies may require additional measures and enhancements to the scheme, such as the provision of active travel facilities, the use of low-carbon materials, and the support for local businesses and communities.

8.0 Additional Information (With reference to table at 5.9).

- 8.1 Due to the unforeseen delays at planning, the following activities have necessarily been paused until planning determination. With the decision of planning committee on 15th February, and to re-set the project in line with its agreed overall programme, the following will be delivered between February and December 2024 in parallel with the completion of the FBC. None of the below are additional to those already programmed in the OBC, however the sequencing is now adjusted in line with planning and FBC completion delays.
- 8.2 Utility Diversions. On an optimum construction programme, all utility diversions (gas, water telecoms, electricity) would be completed before the Main Construction phase. This allows planned sequencing of works across the two phases and can show efficiencies and cost savings overall. These works will be split across direct delivery by the Utility Companies themselves, and Kier, where appropriate and more cost effective

- 8.3 It remains the intention to complete all diversions in this way before the mobilisation of the Main Works contract (expected March 2025), however, programming constraints may mean that a pragmatic decision is made to incorporate undeliverable elements of these diversions within the Main Works phase itself. This will be reviewed through the project Governance structure in terms of cost and programme opportunities.
- 8.4 The forecast cost of completing the full utility diversions package is £9.432m (without contingency and based on 2024 year C4 estimates of costs from utility companies, and required additional works through Kier) and this is a component of the overall financial delegation. Based on further work on the amount of the full diversion works that can be delivered however, this figure may reduce as works are “ported” into the Main Works package due to time constraints. The amount of spend may therefore reduce in advance of FBC submission and therefore the level of spend against the delegation will also reduce.
- 8.5 WSP Design Fees, including Main Contractor Procurement costs (£3.46m), boreholes (£25k), test pile (£5k, all without contingencies). The WSP fees are incurred under the current BECC23 Contract with WSP, and the cost estimate is based on 2024 rates to ensure value for money. Borehole and test piling will be procured in the open market, again to ensure value for money. Ongoing detailed design, oversight of the discharge of planning conditions, test piling, installation of monitoring boreholes particularly around the viaduct Planning Condition up to the point of construction, and technical support in on boarding the Main Contractor, are all activities consistent with the OBC.
- 8.6 Environmental Advance Works and Planning Conditions discharge (including archaeology £566k, badger and bat accommodation works £131k total, West View demolition £211k). To comply with the requirements of the Planning Permission, and in advance of the Main Works, the project will need to ensure satisfactory completion of a number of environmental works (license applications, habitat establishment, wildlife accommodation and species relocation works that are seasonal in nature). The programme impacts of non-delivery of these within the February to December seasonal 2024 window will add up to 12 months delay to the overall programme. The project will also have to undertake infiltration testing activities (£59k) in the area of the proposed viaduct within the same timeframe in order to satisfy groundwater data and modelling Planning conditions in advance of the main works commencing.
- 8.7 The £0.3m excess spend is as described at 5.3.

9.0 Conclusions

- 9.1 Due to unforeseen delays through the Planning process, the NWRR project has had to increase spend under its initial delegation to deal with planning responses, additional design and stakeholder engagement. It has also had to pause key activities alongside the FBC until planning determination. In doing so it has added inflationary costs and programme risk.

- 9.2 The project now requires a further delegation on spend and actions, in advance of the submitting of the FBC, that will allow time critical activities to be completed in advance of the Main Works to ensure the delivery of the project in line with funder expectations. This will also mitigate any further inflationary impacts on activity that would be incurred by further delay.

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

Cabinet 26/06/13 Marches Local Transport Body – Scheme Proposals

<V:\Finance\Finance Business Partners\Capital 202324 - Capital\Projects Information\NWRR\9 Marches Local Transport Body Scheme Proposals.pdf>

Council 23/02/17 Financial Strategy 2017/18 – 2019/20

Cabinet 13/12/17 Shrewsbury North West Relief Road Submission of OBC to DfT

<V:\Finance\Finance Business Partners\Capital 202324 - Capital\Projects Information\NWRR\Appendix 1 NWRR OBC Cabinet Report 6th Dec 2017.pdf>

Council 16/05/19 Shrewsbury North West Relief Road – Dft Programme Entry

<V:\Finance\Finance Business Partners\Capital 202324 - Capital\Projects Information\NWRR\Council 16052019 Shrewsbury North West Relief Road - DfT Programme Entry.pdf>

Local Member: Cllr Lezley Picton
Cllr Alex Wagner
Cllr Rob Wilson
Cllr Nat Green
Cllr Garry Burchett
Cllr Jeff Anderson

Appendices [Please list the titles of Appendices]

N/A