

## **North Somerset Council Decision**

**Decision Of: Executive Member for Corporate Services**



**In Consultation With: Assistant Director for Placemaking & Growth and S151 Officer**

**Decision No: 22/23 DP423**

**SUBJECT:** APPROVAL OF NSC ADDITIONAL LOCAL CONTRIBUTION FUNDING FOR THE A38 MAJOR ROAD NETWORK (MRN) IMPROVEMENTS SCHEME AS A CONSEQUENCE OF RECENT AND PREDICTED INFLATIONARY COST INCREASES.

**Key Decision:** YES

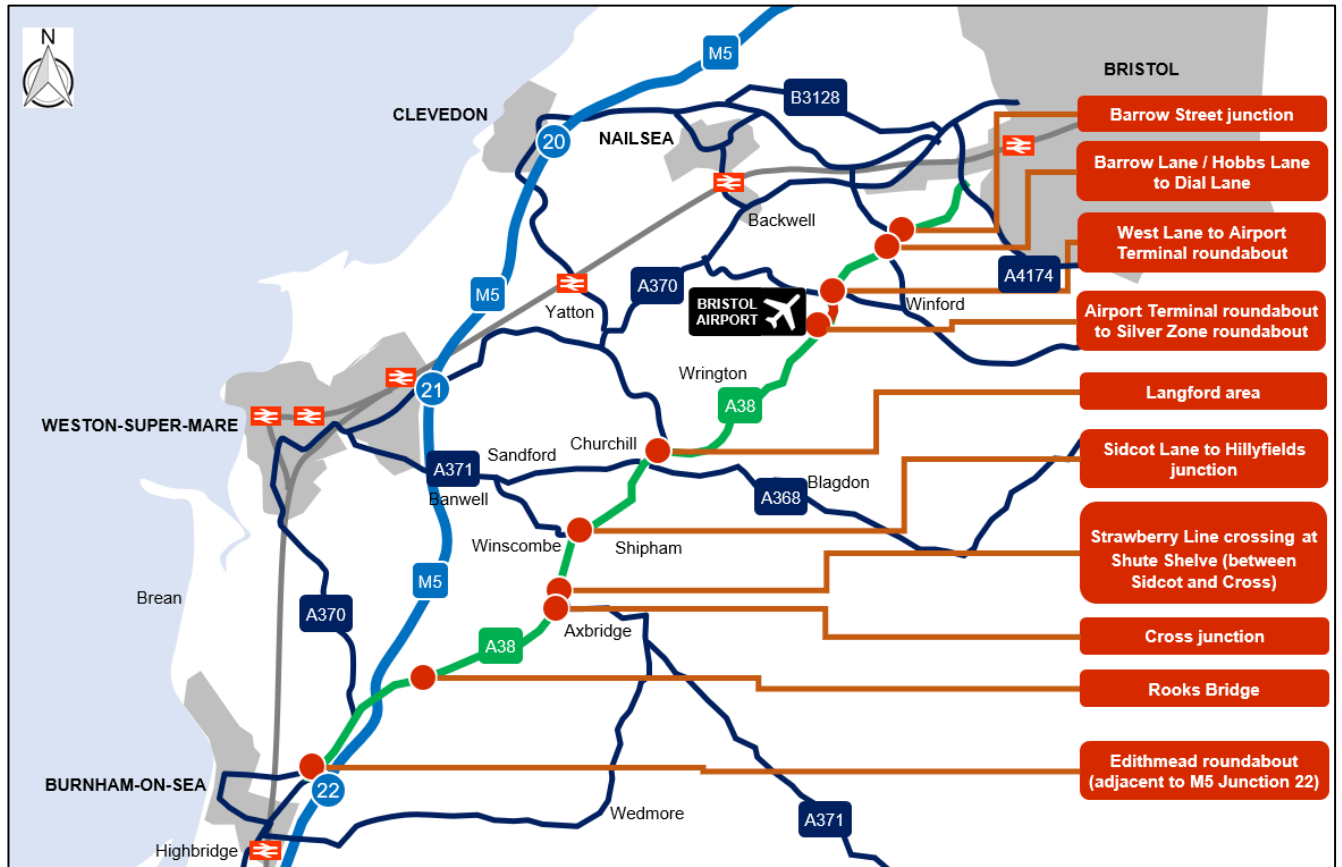
**Reason:** The value of the decision is in excess of £500,000.

This decision was not included in the published forward plan. Access to information rules have been followed.

### **Background**

As part of the MRN bid process North Somerset Council (NSC) in partnership with Somerset County Council (SCC) submitted a Strategic Outline Business Case (SOBC) to the Department for Transport (DfT) in July 2019 for proposed road improvements on the A38 MRN. This SOBC was approved by the DfT enabling the scheme to progress to the Outline Business Case (OBC) stage with funding from both DfT and Section 106 allocation.

The A38 MRN scheme's OBC was then subsequently produced in conjunction with SCC and submitted to the DfT on 9<sup>th</sup> March 2022 for approval. The OBC followed the DfT's core business case process using a 5 Case Model comprising of Strategic, Economic, Commercial, Financial and Management centring around a proposed package of 10 targeted improvements along the A38 corridor. 6 of these targeted improvements are situated in NSC with the remainder situated in SCC. The OBC submission covered the following A38 targeted improvements (scheme elements) and was estimated at £25.1m:



The A38 MRN scheme objectives are as follows:

- Better connect local communities by Active Travel modes;
- Improve journey reliability times and reduce congestion along the A38 corridor;
- Improve road safety for all travel modes;
- Provide environmental enhancements and minimise carbon generation resulting from the scheme; and
- Support housing delivery and the regional economy with improved transport infrastructure around Junction 22 of the M5 motorway forming part of the Strategic Road Network (SCC objective).

Aligning with NSC & SCC priorities and Department for Transport (DfT) MRN objectives the above scheme elements proposed along the A38 corridor will provide active travel, public transport, road safety and congestion alleviation improvements. This scheme has a strong base in providing active travel improvements better connecting local communities and improving journey reliability times on the A38 through removing pinch-points on the A38 benefiting all road users including public transport.

In the scheme's Outline Business Case (OBC) submission, provision was made for inflation within the costs. However, due to external factors exerting above anticipated inflationary pressures within the construction industry, DfT requested that an analysis was carried out. This review analysed the impact of recent and predicted inflation cost increases on the scheme (Stage 1 Detailed Design and Stage 2 Construction). This showed that forecast inflationary values will increase the overall forecast costs above the current working budget.

The original OBC working budget for the MRN scheme (both NSC and SCC elements) was £25.1m. There is a condition that 15% of the funding is matched by NSC and SCC, which equated to circa £3.9m of which NSC Local Contribution was around £2.6m. The Local Contribution element is 15% of the total scheme cost and this is split between NSC (67%) and SCC (33%). The split ratio reflects the works that are being delivered in each local authority.

From the above analysis the scheme’s forecast costs have increased from £25.1m to £30.9m generating a £5.8m shortfall. From the £5.8m scheme cost increase NSC’s Local Contribution funding requirement therefore increases by £588,938 taking it to a total of £3,110,939.

An exception report, covering the above NSC’s Local Contribution increase, was submitted to and agreed in principle at the Capital Projects Programme Delivery Board (CPPDB) meeting held on 8<sup>th</sup> December 2022.

These aspects of the decision will help contribute to the Council’s priorities of a thriving and sustainable place to live, and empowering people. These are also in line with the following policies from the Core Strategy.

- CS10 Transportation and movement
- CS15 Mixed and balanced communities
- CS20 Supporting a successful economy

Scheme stages

Stage	Notes
Strategic outline business case	Complete
Outline business case	Submitted, with DfT for approval
Final business case	Follows approval of OBC
Construction	Follows approval of FBC

**Decision**

- 1) To authorise an increase of £588,938 to the capital programme KDT204 MRN improvements scheme for NSC’s Local Contribution funding from S106 receipts from Bristol International Airport.
- 2) To authorise future switch funding to borrowing if the S106 receipt is not received in the timescales required for the scheme.

**Reasons**

An increase in scheme costs has resulted from external factors exerting strong inflationary pressures within the construction industry. An analysis of costs has been undertaken to ensure there would be sufficient funding available to deliver this scheme.

**Options Considered**

- 1) Do not increase NSC’s local contribution - **Rejected**

Not increasing NSC's local contribution to the minimum requirement will result in not complying with the funding conditions and therefore not receive any of the funding. This option was rejected as it does not align with the political ambition to deliver this scheme.

## 2) Accept the increase in scheme costs and Local Contribution funding - **Recommended**

This option is recommended as it enables the delivery of the following objectives, aligning with the corporate priorities.

- Better connect local communities by Active Travel modes;
- Improve journey reliability times and reduce congestion along the A38 corridor;
- Improve road safety for all travel modes;
- Provide environmental enhancements and minimise carbon generation resulting from the scheme; and
- Support housing delivery and the regional economy with improved transport infrastructure around Junction 22 of the M5 motorway forming part of the Strategic Road Network (SCC objective).

## Financial Implications

### Costs

Costs are monitored and coded to KDT204.

Summary of Scheme Funding	Funding as at December 2022/23	Funding subject to approval Feb Exec - Capital Strategy 2023/24	Revised Budget if Approved at Exec	Revised project totals	Funding required
DfT	£1,939,000	£19,347,000	£21,286,000	£26,311,424	£5,025,424
SCC	£231,000	£1,132,215	£1,363,215	£1,532,253	£169,038
NSC	£565,000	£1,957,000	£2,522,001	£3,110,939	<b>£588,938</b>
<b>Total</b>	<b>£2,735,000</b>	<b>£22,436,215</b>	<b>£25,171,216</b>	<b>£30,954,616</b>	<b>£5,783,400</b>

### Funding:

This decision is only seeking approval of NSC's Local Contribution funding increase, which will enable S.151 Officer authorisation which is to be provided to the DfT as part of the OBC addendum submission.

The additional funding to close the shortfall has been identified from S106 contributions from Bristol International Airport, but also seek approval to switch to borrowing if S106 not received within the timescales required.

Any additional external funding sources will be subject to a further decision.

<b>Additional funding summary</b>	
<b>NSC</b>	<b>£0.59m</b>
SCC	£0.17m
DfT	£5.05m
<b>Total</b>	<b>£5.81m</b>

## **Legal Powers and Implications**

As per the Council Constitution, Capital Budget Changes and Transfers, 4.35, increases or changes to capital schemes between £500,000 and £1,000,000 are permissible subject to the funding impacts being identified and the applicable following limitations:

- **Executive Member(S) with Directors and Section 151 Officer can approve changes to capital budgets up to a maximum of £1,000,000.**
- All changes between £250,000 and £1,000,000 shall be retrospectively reported to the Executive as part of the corporate budget monitoring reports.

Acceptance of the increase in Local Contribution funding does not have any legal implications. The project governance will be aligned to the funding conditions outlined in the grant letter if successful.

A Commissioning Plan was approved by Full Council on 9<sup>th</sup> November 2021 covering Professional Services and Design & Build Contractor provision in relation to the A38 MRN scheme. Procurement Plans covering these same provisions were approved by the Executive Member for Major Infrastructure and Project Delivery in July 2022. SCC will seek their own approvals for the match funding they are required to contribute.

## **Climate Change and Environmental Implications**

Reference to climate change and environmental impact the A38 MRN scheme improvements will focus on active travel provision, reducing traffic congestion, and improving journey reliability times. The scheme also includes improved bus infrastructure enabling better access to bus services and expanding travel choices.

To ensure that this scheme is compatible with NSC environmental priorities and other initiatives currently being undertaken the Sustainable Transport, Integrated Transport Unit and Bus Service Improvement Plan teams have been consulted throughout scheme development to ensure that the proposed targeted improvements along the A38 complement future plans. In addition, there has also been regular engagement and co-ordination with the Mass Transit and Banwell Bypass project teams ensuring that the MRN targeted improvements aligns and takes into account these other schemes and this co-ordinated schemes' approach will continue during the development of the A38 MRN scheme's detailed design and FBC.

A Members Task & Finish Group (T&FG) was established in December 2021 to provide feedback and following inputs on the A38 MRN scheme with particular focus on active travel, carbon reduction and biodiversity.

NSC aims to be carbon neutral by 2030, following declaration of a climate emergency in February 2019. All supply chain partners will play an active and key role in ensuring that NSC's ambition of carbon reduction and bio-diversity net gain is secured and achieved through this scheme. To align with the approach taken across NSC's major infrastructure projects the A38 MRN scheme's design and delivery shall align with PAS2080:2016 Carbon Management in Infrastructure principles.

## **Consultation**

The Executive Member was briefed on 16<sup>th</sup> January on the increases in Local Contribution funding due to inflationary pressures.

An engagement exercise was undertaken as part of the scheme's OBC preparation, between April and August 2021 during which time internal and external stakeholders were briefed on the A38 MRN proposed scheme elements.

The following NSC stakeholders were included in that engagement exercise:

- Place Director and Directorate senior colleagues
- Executive Member for Assets & Capital Delivery
- Executive Member for Climate Emergency & Engagement
- Place Policy & Scrutiny Panel
- Ward Members captured in scheme areas
- MPs captured in scheme areas
- Parish Councils captured in scheme areas
- Parish Councils' Airport Association
- Internal Highways & Transport, Streets & Open Spaces and Planning & Heritage teams
- Residents and Businesses captured in scheme areas

The comments received from that engagement exercise have been considered as part of the scheme's ongoing design and planning. Public engagement will continue as part of the scheme's FBC development.

## **Risk Management**

### 1) Financial risk management

Should there be any subsequent cost increases to the FBC preparation costs or scheme construction costs then these would need to be covered by both NSC and SCC relative to their scheme elements. This financial risk will be mitigated through the governance and monitoring that will be in place and as part of this, a Quantitative Cost The risk register will be reviewed in monthly meetings and will help to control project costs with any changes being reviewed and dealt with as early as possible.

Design reviews and cost forecast exercises will also be carried out on an ad hoc basis as scheme element designs become complete providing potential opportunities for value engineering and cost reduction.

Further mitigation is the approval of this decision, which enables DfT to contribute £5m to the shortfall.

## 2) Programme

The scheme programme continues to be challenging. NSC is working with DfT to explore options to take advantage of the Governments Accelerated Growth Plan announced in the Autumn Statement.

### **Equality Implications**

Have you undertaken an Equality Impact Assessment? Yes

An initial screening exercise has been carried out to identify protected characteristics that the Equality Act 2010 requires to be considered in relation to the scheme's proposals. An Equality Impact Assessment has been undertaken as part of the scheme's OBC. This will be updated once further design details are confirmed, and prior to the scheme's FBC submission to DfT.

### **Corporate Implications**

These aspects of the decision will help contribute to the Council's priorities of a thriving and sustainable place to live, and empowering people. These are also in line with the following policies from the Core Strategy.

CS10 Transportation and movement  
CS15 Mixed and balanced communities  
CS20 Supporting a successful economy

### **Appendices:**

### **Background Papers**

- Director Decision 18/19 DE 410: Major Road Network (A38) - Outline Business Case.
- Director Decision 19/20 DE 390: Major Road Network (A38) - Outline Business Case (OBC) Award of Contract.
- Director Decision 19/20 DP 293: Major Road Network (A38) - Outline Business Case (OBC) Variation to Consultant Contract.
- Executive Member Decision 21/22 DP 270: A38 Major Road Network Scheme Outline Business Case Submission and Local Contribution Funding.
- Full Council approval on 9<sup>th</sup> November 2021 of the Commissioning Plan for the Design & Build Contract of the A38 Major Road Network (MRN) scheme and associated Professional Services.

- Director Decision 21/22 DP 284: Contract Award for A38 Major Road Network (MRN) Procurement Support.
- Executive Member Decision DP 22/23 95: Procurement Plan for Major Road Network (MRN) Design and Build Contractor.
- Executive Member Decision DP 22/23 108: Procurement Plan for consultants to undertake the Full Business Case (FBC) for the A38 Major Road Network (MRN) scheme and act as Employer's Agent for the Design and Construction phases.

**Signatories:**

**Decision Maker(s):**



Signed:

Executive Member for Corporate Services

Date: 21 February 2023

**With Advice From:**



Signed:

Assistant Director for Placemaking & Growth in accordance with Delegated Authority 22/23 DP 53.

Date: 21 February 2023



Signed:

Section 151 Officer

Date: 21 February 2023



