



North East Leadership Board

Tuesday 15th September 2015 at 2.00 pm

Meeting to be held in a Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

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SUPPLEMENTAL AGENDA No.2

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11. Lindisfarne Roundabout (Project Approvals)	1 - 8
Lindisfarne Roundabout Local Growth Fund Major Scheme: Revised Scheme Proposals and Cost	

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To All Members

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North East Combined Authority

North East Leadership Board (NELB)

Date: 15th September 2015

Subject: Lindisfarne Roundabout Local Growth Fund Major Scheme:
Revised Scheme Proposals and Cost.

Report Of: Chief Executive Officer for Transport

Executive Summary

The purpose of this report is provide an update on the new preferred option for Lindisfarne Roundabout Strategic Economic Plan transport scheme in terms of revised scheme opportunity and proposals, the scheme's enhanced benefits and its revised costs, and how the proposed increased cost will be funded and managed within the wider Local Growth Fund programme.

Recommendations

It is recommended that the Leadership Board: -

- 1) Agrees in principle to the proposed revision of scope and cost of the Lindisfarne Roundabout Scheme to capitalise on opportunities to support local economic growth and maximise access to and from the regionally significant A19 corridor, **subject** to final approval of the full business case.
- 2) Agrees in principle that the estimated £2.1m shortfall in the revised Lindisfarne Roundabout scheme is funded through:-
 - An increased contribution of South Tyneside Council local capital funds by £0.48m to a £1m contribution in total;
 - A Local Growth Fund allocation increased by £1.62m to £5.10m in total, accommodated by overall regional Local Growth Fund programme management and specifically by corresponding reductions of Local Growth Fund allocations to future transport schemes promoted by South Tyneside Council, (subject to those future transport schemes receiving Government confirmation of funding following forthcoming spending announcements), and **subject** to approval of the proposed Local Growth Fund reprogramming by the NELEP Board.

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1. Background

- 1.1. The A194 / A19 Lindisfarne Corridor improvement scheme is part of the Local Growth Fund (LGF) programme and was one of the initial schemes submitted to the former Local Transport Body in 2014 to receive devolved major transport schemes funding. It had a total estimated cost of £4.0m, funded in part by a £3.48m contribution from the Local Growth Fund
- 1.2. South Tyneside Council is intending to undertake a carriageway improvement scheme that would improve traffic movements at Lindisfarne Roundabout (A19 / A194) and associated corridors thus providing improved connectivity and economic growth opportunities to the Port of Tyne, South Shields Town Centre and International Advanced Manufacturing Park, as well as improving access to the Strategic Highway Network along the A19 and A194M.
- 1.3. Both from a strategic and reputation perspective, the Council considered it appropriate to look beyond the initial junction improvement scheme and looked to deliver a scheme that would increase traffic movements, but would also resolve the known surface water management issues that have an adverse impact on accesses to both the local and strategic road network.
- 1.4. The Council remains confident that we will be on site in 15/16 constructing this scheme, with a provisional start date still at January 2016.
- 1.5. Since the scheme was entered into the Local Growth Fund programme with a conditional funding offer, detailed site investigation and design work has taken place on the preferred option.
- 1.6. The Council is to seeking to progress with an option that provides additional carriageways in both directions on the A194 thus ensuring that additional traffic demand onto the strategic highway network is accommodated and future traffic demand to the Port of Tyne, South Shields Town Centre and International Advanced Manufacturing Park is provided for.
- 1.7. Further to this, the preferred option will also incorporate mitigation measures to alleviate the surface water management issues associated with Lindisfarne Roundabout. During periods of intense rainfall, the roundabout floods quickly, thus preventing access on the A194 and A19 strategic highway corridor. In alleviating this problem, the scheme is addressing the flood risk problem for both the Council and Highways England.
- 1.8. In providing the additional carriageway lane on the A194 in both directions and alleviating the surface water management issues, the Council has established that the construction cost of the scheme has increased by £2.1m from £4m to £6.1m (inclusive of risk contingency) despite a value engineering exercise.

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2. Proposals

- 2.1 The Council will request that £1.62m in additional Local Growth funding to deliver the Lindisfarne scheme is to be met from reallocating the conditionally approved major transport schemes for South Tyneside Council identified in the North East Strategic Economic Plan in 2016/2017 and 2017/2018 financial years. The below information indicates the intended rebalancing exercise: -
- i. **The Arches A194 / A185 Junction Improvement Scheme** – Initial LGF award £5.83m, reduced to £5.21m – Reduction of £0.62m. Reasoning – Wider work on the preferred option have indicated economies of scale in collaborating the scheme with the A185 / New Tyne Crossing scheme.
 - ii. **A185 / New Tyne Crossing Improvements** – Initial LGF award £4.05m, reduced to £3.55m – Reduction of £0.5m. Reasoning – Combined with the above scheme to deliver an overall corridor approach to addressing the congestion / constraints.
 - iii. **Access Improvements to support Testo's Major Scheme** – Initial LGF award £4.05m, reduced to £3.55m – Reduction of £0.5m. Reasoning – Council is to work with Highways England in terms of the major scheme proposals for Testo's Roundabout (A19 / A184) to reduce the scope of the local scheme.
- 2.2 The rebalancing of Local Growth Fund allocations across schemes promoted by South Tyneside Council to accommodate the increased costs to the Lindisfarne Roundabout scheme cannot be confirmed until after the Government has confirmed funding to Strategic Economic Plan future schemes in 2016/17 and 2017/18.
- 2.3 The increased funding allocation as a result of the reprofiling exercise will allow the Council, on the basis of a compliant and satisfactory business case (full business case to be submitted in October 2015), to ensure that the scheme value and benefits are maximised and that the scheme proceeds to construction with adequate risk contingency funding.
- 2.4 Within the NECA Major Scheme Assurance Framework it states that scheme cost overruns following budget allocation at LGF programme entry should be met by a scheme promoter, it is considered that the re-profiling exercise suggested by South Tyneside Council is appropriate.
- 2.5 The draft business case for the amended scheme has been modified following an independent review and shows that the scheme represents a very high value for money BCR value of 13.3, as well as complying with other assessment criteria identified in the Assurance Framework.

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2.6 The scheme is ready for commencement as soon as the business case and new funding proposals have been approved, with scheme completion expected within 2016/17.

2.7 South Tyneside Council requests:

- 1) A revised a LGF capital programme provision of £5.1m (previously £3.48m) is approved in principle for the Lindisfarne scheme, made up of the re-profiling exercise of £1.62m and an increase in local authority contributions to £1m (from £0.52m).

3 Next Steps

3.1 If the recommendations of this report are approved, the next steps are expected to be:-

- Full Business Scheme submitted in October 2015;
- Business Case sign-off by Leadership Board in November;
- Report to the North East Local Enterprise Partnership Board on reprofiling of transport scheme funding allocations following future years' Local Growth Fund commitments;
- Subject to a positive outcome of the above, the NECA completes a Grant Funding Agreement with the scheme promoter;
- The scheme is implemented in accordance with its Grant Funding Agreement and Full Business Case.

4 Potential Impact on Objectives

4.1 Approval of the proposals will enable the Lindisfarne Corridor scheme to proceed as planned, albeit with a higher Local Growth Fund contribution funded by the re-profiling exercise. By increasing scope, the revised scheme will deliver improved strategic outcomes for the Region in providing greater access opportunities to the A19 corridor and facilitating Regionally-significant employment sites.

4.2 The scheme has been tested and demonstrates alignment with the objectives of the Strategic Economic Plan and a very high value for money. Failure to implement the scheme, or to further reduce its scope or quality, will negatively impact on the delivery of the Strategic Economic Plan as well as the Tyne & Wear Local Transport Plan.

5 Finance and Other Resources

5.1 The total required Local Growth Fund contribution requested to deliver the scheme now stands at £5.1m from the previous allocation of £3.48m, which is subject to North East Leadership Board and NELEP Board approval.

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- 5.2 South Tyneside Council have explored opportunities to redesign future LGF transport schemes within the borough, at the Arches and A19 corridor, to ensure that the impact of the cost increases for Lindisfarne are subsumed within the overall Local Growth Fund programme.
- 5.3 This management proposal relies upon use of funding for future years which has not yet been fully confirmed by BIS. The future years' funding for these projects was included in the indicative funding profile letter from BIS issued in March 2015, however funding for future years for all LGF schemes has not yet been confirmed by BIS/DCLG. As is the case with all projects, the risk of project cost overruns above the revised grant level will fall to be met by South Tyneside Council, the project sponsor and deliverer, under the current programme grant arrangements. In the event of any changes to the proposed funding package, action will be taken to find an appropriate solution at that point, and the funding risks would rest with the project sponsor. This issue and the steps being taken to mitigate the overall programme funding uncertainty is discussed in more detail as part of the Financial Monitoring update report which is elsewhere on the agenda.
- 5.4 Managing this cost pressure within the Highway programme helps to avoid pressure on the wider LGF programme managed by the NELEP.

6 Legal

- 6.1 The Combined Authority, as Accountable Body for the NELEP enters into funding agreements with the recipients of Local Growth Funding. The agreements reflect the requirements and obligations placed on the funding by the funding providers including provisions relating to clawback.
- 6.2 The recipient Council will be required to enter into a funding agreement to enable the release of the proposed LGF funding contribution of £5.1m for the Coast Road scheme.
- 6.3 The agreement of the NELEP Board to the re-profiling in the level of funding is required prior to entering into such funding agreements.

7 Other Considerations

- 7.1 **Consultation/Community Engagement**
A Stakeholder Engagement Plan has been developed as part of the scheme business case and will be implemented once the scheme has been given approval to proceed.

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7.2 Human Rights

There are no specific human rights implications arising from this report.

7.3 Equalities and Diversity

The implementation of the scheme proposals will have a positive impact on low income and vulnerable groups by making walking, cycling and bus travel safer and more convenient.

7.4 Risk Management

A full quantified risk register has been developed to support the scheme. Despite the scheme cost increase, risks of greater magnitude will arise from withholding or delaying scheme approval, impacting adversely on delivery of the wider LGF transport programme. The revised scheme design incorporates measure to reduce flooding risk.

7.5 Crime and Disorder

There are no crime and disorder implications arising from this report.

7.6 Environment and Sustainability

Delivering the scheme outlined in this report will assist the North East Combined Authority in achieving a more sustainable transport system for the region. The revised scheme will help reduce flooding risk.

8 Background Documents

- “More and Better Jobs” – Strategic Economic Plan for the North East

9 Links to Plans in the Policy Framework

This scheme contributes fully to the Strategic Economic Plan for the North East and its aim for ‘More and Better Jobs’ in enabling access to new and expanded employment sites.

10 Appendices

None

11 Contact Officer

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12 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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