



TRANSPORT AND INFRASTRUCTURE COMMITTEE	AGENDA ITEM No: 2.1
15 MAY 2020	PUBLIC REPORT

LANCASTER WAY: FURTHER COST OVERRUN

1.0 PURPOSE

- 1.1. To address the further cost overrun reported by the Lancaster Way project since the Transport & Infrastructure Committee's (TIC) decision of 06 March 2020 to fund a £1.2 million cost overrun.

<u>DECISION REQUIRED</u>	
Lead Member:	James Palmer, Mayor
Lead Officer:	Paul Raynes, Director of Delivery & Strategy
Forward Plan Ref: N/A	Key Decision: Yes
The Transport and Infrastructure Committee is recommended to: (a) Approve a further capital grant to the County Council in respect of this project of £722,527 including an allowance of £500,000 against the risk of increased costs which may arise as a result of the impact of Covid-19 safe-working constraints, on condition that the scheme starts on site in June to be reported to the Combined Authority Board, in accordance with the terms of its decision of 29 April 2020;	Voting arrangements Simple majority of all Members

(b) Instruct officers, in consultation with the Chair of the TIC, to seek offsetting savings within the transport capital programme;	
(c) Instruct officers, in consultation with the Chair, to explore with the two local highways authorities and HM Government the necessary legal changes to allow the Combined Authority to directly commission highways works in future;	

2.0 BACKGROUND

- 2.1. In March 2011, Cambridgeshire County Council imposed a S106 condition on the Lancaster Way business park and enterprise zone requiring that the developers fund improvements to the roundabout at the junction between the A142 and A10 at Ely.
- 2.2. In October 2016, the LEP made a £1,445,000 growth fund grant to the developer which included, among other items, provision to fund the s106 obligation at the A142/A10 roundabout.
- 2.3. The County Council does not regard this scheme as a county scheme and considers that its role is equivalent to that of a contractor/service provider. It has, since November 2016, been managing a programme of work to implement the roundabout improvements required by the s106 obligation. In October 2018, a study recommended that the scope of the project should also include modifications to the roundabout on the A142 at the entrance to Lancaster Way.
- 2.4. By the autumn of 2019, the project had reached its detailed design stage. Emerging costings suggested that the growth fund grant to the developer would not be enough to cover the whole cost of the project. Members were concerned that the project would be delayed or unable to proceed. This would put a brake on further development of the Enterprise Zone.
- 2.5. At its March meeting, the TIC received revised costings for the project. It agreed to recommend to the Board a further capital grant to the County Council of £1,168,243, increasing the budget by some 135%. At the time, the TIC took the view that the project should live within this increased budget. It instructed officers to restrict the project to its original single roundabout scope should further cost pressures emerge.
- 2.6. Further cost pressures were identified by County Council officers on the evening of 28 April, before the Combined Authority Board meeting of the following day. When it had been made aware of that further information, the Board decided to:

- (a) Approve a new additional budget of £1,168,243 from the 2020/21 single pot allocation to reflect current cost estimate, including a 20% risk allowance;
- (b) Grant the Director of Delivery and Strategy, in consultation with the Mayor, delegated authority to either (i) approve a reduction in the scope of the scheme to enable delivery of the BP Roundabout alone in the event of the risks set out at paragraph 2.7 of the report materialising or (ii) to conduct a review of the budget and timetable for the project should there be any further costs arising and refer approval of any additional budget to the TIC;
- (c) Delegate authority to an extraordinary TIC to approve additional budget for the scheme subject to a full account from the Highways Authority of the reasons for the budget and an assessment of the risks for Covid;
- (d) Agree that the TIC are authorised to approve any additional budget and Covid risk subject to ratification of that budget at the next Board meeting.

Latest project costings

2.7. Costs have been reviewed in line with the Board recommendation and the following table sets out Cambridgeshire County Council's most recent cost estimate compared to the project's available funding.

FUNDING ALLOCATIONS	
BP Roundabout	
Grovemere & Growth Fund	£930,000
Grovemere Design Development	£58,355
Lancaster Way Rbt	
East Cambridgeshire CIL Funding	£150,000
CPCA Single Pot (<i>Proposed Allocation</i>)	£1,168,243
TOTAL BUDGET	£2,306,598
Current forecast budget required	2,529,125
Additional budget required	£222,527

2.8. The funding allocation in the table above does not take into account any increased costs associated with the need to comply with Covid 19-related safe working and social distancing. Those costs are currently being assessed by the County Council. County Council officers have recommended a £500,000 allowance against these costs.

Value for money

- 2.9. The dual roundabout scheme, at the revised costing, is estimated to deliver very strong value for money, with a benefit cost ratio of 80. The main benefits scored are time savings to motorised road users.
- 2.10. The scheme BCR is very far in excess of the benchmark value of 2 set by the Combined Authority's Assurance Framework.

Affordability

- 2.11. Value for money is a measure of whether a scheme is worth investing in. It is also necessary to consider affordability – whether there is money to invest in the first place.
- 2.12. The Combined Authority's Medium Term Financial Strategy, adopted in January, assumed that the Lancaster Way scheme would be managed within the Growth Fund budget of £863,484. The Committee's March 2020 recommendation was to make new provision in the budget which increased the overall combined authority budget by 135%.
- 2.13. The revised costing in this paper would require a budget 219% higher than the Growth Fund provision. The proposed revised budget includes a risk provision of £320,000 in the base, in addition to the £500,000 Covid risk provision.
- 2.14. The Combined Authority's central budget challenge, which will be reflected in proposed revisions to the MTFS in June, is to identify savings that can be reprioritised to support businesses in the economic recovery from the Covid crisis.

Key considerations

- 2.15. The Combined Authority has as its mission to double the size of the economy over 25 years by promoting sustainable growth. Enterprise Zones such as Lancaster Way play a crucial role in that.
- 2.16. The Combined Authority also seeks to address the social and economic costs of traffic congestion. Junction improvements such as this scheme can make a significant contribution that that. The high BCR for this scheme reflects its high potential to reduce future congestion.
- 2.17. The scheme is a priority for East Cambridgeshire District Council, for the developer of the enterprise zone, and for local residents affected by existing congestion.
- 2.18. Reopening work on the costings and business case at this point would almost certainly delay the scheme's start on site which is planned for June 2020.
- 2.19. Investing in construction projects of this kind at this time can play a part in promoting economic recovery and supporting local businesses in the

construction supply chain.

2.20. The Combined Authority is committed to good financial and project management. This project's scope has changed during its lifetime. The project's five-year lifetime has been unusually long. The budget variance is extremely large as a proportion of the original budget. Committee members may not regard that performance as satisfactory. However, the Combined Authority cannot under its current legal powers directly commission schemes on the public highway. For highways schemes, it is currently necessary to contract with suppliers through the relevant Highway Authority, which may itself effectively be put in the position of a contractor. To improve the Combined Authority's ability to influence project costs, the Committee may wish to investigate revised legal arrangements which would allow the Authority to directly commission schemes on the highway in future.

Recommendation

2.21. On balance, the Committee may consider that the benefits this project delivers, which are reflected in a very strong BCR, justify a further budget increase now, in the interests of getting it done. Should that be the case, the Committee may nevertheless also wish to challenge the overrun on original budget that this involves. The Committee might also wish to limit the impact of its decision on the Combined Authority's ability to prioritise spending on post-Covid economic recovery.

2.22. To balance those factors, the Committee is recommended to:

- a) Approve a further capital grant to the County Council in respect of this project of £722,527 including an allowance of £500,000 against the risk of increased costs which may arise as a result of the impact of Covid-19 safe-working constraints, on condition that the scheme starts on site in June to be reported to the Combined Authority Board, in accordance with the terms of its decision of 29 April 2020;
- b) Instruct officers, in consultation with the Chair of the TIC, to seek offsetting savings within the transport capital programme;
- c) Instruct officers, in consultation with the Chair, to explore with the two local highways authorities and HM Government the necessary legal changes to allow the Combined Authority to directly commission highways works in future.

3.0 FINANCIAL IMPLICATIONS

3.1. The Medium Term Financial Strategy approved by the Combined Authority Board in January 2020 includes capital provision of £863,484 for the original Growth Fund element of this project's funding.

- 3.2. The Committee agreed in March to recommend to the Board a further capital grant of £1,168,243 in addition to that provision in the MTFS.
- 3.3. This paper recommends a further grant of £722,527 subject to the condition that this extra amount be clawed back from savings in other elements of the capital programme. Those proposed savings will be reflected in the budget paper which will be presented to the Board on 3 June.
- 3.4. The net MTFS impact of the proposals in this paper is therefore the same as the Committee's March decision.

4.0 LEGAL IMPLICATIONS

- 4.1. The recommendations accord with CPCA's powers under Part 3 Articles 9 and 11 Cambridgeshire and Peterborough Combined Authority Order 2017 (SI 2017/251);
- 4.2. The TIC meeting shall be conducted in accordance with Part 2 regulation 5 of The Local Authorities and Police and Crime Panels (Coronavirus)(Flexibility of Local Authority and Police and Crime Panel Meetings)(England and Wales) Regulations 2020.

5.0 APPENDICES

Source Documents	Location
Lancaster Way March 2020 TIC paper	Lancaster Way March 2020 TIC paper
Lancaster Way Board Paper April 2020	Lancaster Way A142 - A10 Roundabout Improvements