

REPORT TO: Cabinet Member - Technical Services
Cabinet

DATE: 23rd February 2011
3rd March 2011

SUBJECT: Thornton to Switch Island Link
Progress Update, Revised Project Management
Arrangements, Scheme Programme and Cost Profile

**WARDS
AFFECTED:** Park, St Oswald, Netherton and Orrell, Molyneux, Manor,
Sudell

REPORT OF: Andy Wallis, Planning and Economic Development Director

**CONTACT
OFFICER:** Stuart Waldron Assistant Director
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Stephen Birch Team Leader STPU
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**EXEMPT/
CONFIDENTIAL:** No

PURPOSE/SUMMARY:

To advise Members of current progress with the scheme, including the responses from Government to the Council's Best and Final Funding Bid and the planning application. To seek Members' approval to accept the Government's funding offer, to initiate the next stages of the project, including land acquisition and of the revised project management arrangements. To advise Members of the current scheme programme and cost profile.

REASON WHY DECISION REQUIRED:

To keep Members fully apprised of progress and to seek approval to accept the funding offer and to proceed with the next stage of the scheme, including land acquisition, and to changes in project management arrangements and to confirm the current programme and cost profile for the scheme.

RECOMMENDATION(S):

Cabinet Member Technical Services:

- i) notes the report and supports the recommendations to Cabinet.

Cabinet:

- i) note the Department for Transport's acceptance of the Council's Best and Final Funding Bid for the scheme.

- ii) approve the acceptance of the Terms and Conditions of the proposed Government funding for the scheme and increase the cost of the scheme in the Capital Programme by £14.5m **to be funded by the Department for Transport grant.**
- iii) note the Government Office response to the planning application for the scheme confirming that they do not require a Public Inquiry to be held to consider the planning issues.
- iv) note the progress in the preparation of the necessary statutory Orders for the scheme.
- v) gives approval for the activities that were put on hold in June 2010 to be re-commenced, including land acquisition.
- vi) approves the start of work on the next stage of the scheme.
- vii) approves the revised Project Management arrangements and Project Board for the scheme.
- viii) note the revised programme for the scheme.
- ix) note the revised spend profile for the scheme.

KEY DECISION:

Yes

FORWARD PLAN:

Yes

IMPLEMENTATION DATE:

Following the expiry of the 'call in 'period for the minutes of the meeting

ALTERNATIVE OPTIONS:

N/A

IMPLICATIONS:

Budget/Policy Framework:

Cabinet approved the spend profile for the scheme for 2009/10 – 2012/13, totalling £5.912m on the 1st October 2009. The allocations were included in the Capital Programme 2010/11 – 11/12 approved by Cabinet on the 4th March 2010. Revised allocations for 2011/12 – 2012/13 are being presented to Cabinet as part off the Capital Programme on 3rd March 2011.

Financial: Proposed commitment contained within Council's previously approved allocation in the medium term financial plan. A revised funding profile for the Council's allocation is provided in this report.

<u>CAPITAL EXPENDITURE</u>	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £	2013/ 2014 £
Gross Increase in Capital Expenditure			7,000	7,500
Funded by:				
Sefton Capital Resources				
Specific Capital Resources			7,000	7,500
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: N/A

Risk Assessment: The proposed funding from the Department for Transport is dependent on the scheme proceeding as planned. Should the scheme not proceed, any costs incurred by the Council may be classed as abortive. Capital accounting rules require that abortive costs are charged to revenue which would require them to be funded from the General Fund Balances.

Acceptance of the Council's funding bid by the Department for Transport, means that the DfT contribution will be fixed at the proposed amount. This means that the Council will be responsible for any additional costs arising from the project, such as costs associated with changes in the project or any overspend. Should any overspend exceed the contingency that has been retained within the proposed scheme budget, additional capital resources would be required.

Asset Management: N/A

CONSULTATION UNDERTAKEN/VIEWS

The Interim Head of Corporate Finance & Information Services has been consulted and his comments have been incorporated into this report.

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CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Creating Safe Communities	✓		
3	Jobs and Prosperity	✓		
4	Improving Health and Well-Being	✓		
5	Environmental Sustainability	✓		
6	Creating Inclusive Communities	✓		
7	Improving the Quality of Council Services and Strengthening local Democracy	✓		
8	Children and Young People		✓	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

Cabinet - 17th May 2007 – Thornton Switch Island Link Scheme – Funding

Cabinet - 29th November 2010 – Thornton Switch Island Link – Funding

Cabinet - 2nd October 2008 – Thornton Switch Island Link – Programme Entry

Cabinet - 1st October 2009 – Thornton Switch Island Link Commissioning Report/
Revised Project Management/Programme and scheme cost profile

Cabinet - 10th June 2010 – Thornton Switch Island Link – Current Situation

Cabinet - 15th December 2010 - Thornton Switch Island Link – Best and Final
Funding Bid

1.0 Background

- 1.1 A report to Cabinet on the 10th June 2010 advised that the new Government was to review all spending plans for major schemes approved by the previous administration. This included the Thornton Switch Island Link Road scheme. Cabinet agreed to permit the submission of the Planning Application and preparation of statutory Orders to proceed, but all other work on the scheme was halted. The Planning Application was submitted in July 2010.
- 1.2 On 29th October 2010 the Department for Transport (DfT) advised the Council that further to the Government's announcement of the outcome of the Spending Review on 20th October 2010, plans for major schemes had been announced. Thornton to Switch Island Link was placed in the Supported Pool. This meant the DfT was prepared to fund the scheme subject to the Council submitting a 'best and final funding bid'. The Department expected the Council to demonstrate in this bid that all opportunities for cost savings and value maximisation had been explored and incorporated into the funding package.
- 1.3 On 11th November 2010 the Council received further guidance and a form for submission of the Council's 'Best and Final Funding Bid'. The bid had to be submitted by Tuesday 4th January 2011. The Council's Bid was prepared by the project team and submitted to Cabinet for consideration on 15th December 2010. The proposed Best and Final Funding Bid was approved by Cabinet and submitted to the DfT.
- 1.4 The Planning Application for the scheme was considered by Sefton Council's Planning Committee on the 15th December and was recommended for approval, subject to a response from the Secretary of State about whether a Public Inquiry would be required. The details of the application and the Council's decision were provided to Government Office North West requesting a decision about the need for a Public Inquiry.
- 1.5 The purpose of this report is to:
 - Advise Members of the response from the Government to the Council's Best and Final Funding Bid and the decision about whether a Public Inquiry is required.
 - Advise Members of progress in the delivery of the scheme and the next stages of the project.
 - Seek approval for revised Governance arrangements due to the early retirement of the Council's designated Project Manager (Senior Responsible Owner).
 - Seek approval for work to resume on the activities that were suspended in June 2010, specifically including the land acquisition process, and to proceed with the next stages of the scheme.

- Advise Members of the revised Programme and Funding Profile.

2.0 Government response to funding bid and planning application

- 2.1 On 4th February 2011, the DfT advised that Sefton Council's Best and Final Funding Bid for the Thornton to Switch Island Link scheme had been approved and that funding for the scheme was confirmed. The funding approval letter from the DfT is provided as Annex 1.
- 2.2 The letter from the DfT describes the Terms and Conditions of the funding offer and requests written confirmation of the Council's acceptance of the funding offer and the terms and conditions of the offer. The letter confirms that the DfT will provide a maximum capped funding contribution of £14.5m towards the estimated scheme cost of £18.588m. The contribution will be paid as capital grant under Section 31 of the Local Government Act 2003.
- 2.3 To date, the Council's allocated funding for the scheme has been included in the Council's medium term capital programme. Now that the confirmation of Government funding has been received, the full capital cost, including the Government contribution needs to be identified in the capital programme.
- 2.4 On 24th January 2011, Government Office North West advised the Council's Planning Department that they did not intend to 'call in' the proposal for a Public Inquiry. Their letter states, "*Having carefully considered the relevant planning issues raised by this proposal, together with the representations received by the Council from interested parties, we have concluded that the Secretary of State's intervention would not be justified.*" Consequently, the Council issued notice of the granting of planning permission on 26th January 2011.
- 2.5 Recommendation
 - i) Members note the Department for Transport's acceptance of the Council's Best and Final Funding Bid for the scheme.
 - ii) Members approve the acceptance of the Terms and Conditions of the proposed Government funding for the scheme and increase the cost of the scheme in the capital programme by £14.5m to be funded by the Department for Transport grant.
 - iii) Members note the Government Office response to the planning application for the scheme confirming that they do not require a Public Inquiry to be held to consider the planning issues.

3.0 Scheme progress and next stages

- 3.1 As part of the process of preparing the Council's Best and Final Funding Bid, a detailed review of the scheme costs was undertaken. A review of the scheme risk register and the proposed programme was also undertaken as part of the Bid development.
- 3.2 In accordance with the Cabinet decision of the 10th June, work has also commenced on the statutory procedures to progress a Side Roads Order and a Compulsory Purchase Order. A Side Roads Order is required for the closure of roads that cross the proposed route, footpath diversions and to connect the new link into the existing highway network. A Compulsory Purchase Order is required if it proves impossible to secure purchase of land by negotiation with landowners.
- 3.3 The project team is currently preparing draft Side Roads Order (SRO) and Compulsory Purchase Order (CPO) and completing a schedule of interests that is required to accompany the CPO. In addition, a draft Statement of Reasons for the CPO is also being prepared. Once the draft Orders have been reviewed and completed, they will be presented to Cabinet with a recommendation to approve the publication of the draft Orders. The timing for this process is described in Section 5 below.
- 3.4 Following publication of the draft Orders, interested parties have the opportunity to object to the Orders. Any objections will be considered by the Secretary of State for Transport, who will decide whether a Public Inquiry is required. It would be possible for an Inquiry to be called for either or both of the statutory Orders.
- 3.5 In parallel with the development and publication of the draft CPO, negotiations will be undertaken with landowners to try and acquire the land needed for the scheme by agreement. If all the land needed can be secured by agreement with landowners, there will be no need for a CPO. In June 2010, Cabinet determined that negotiations with landowners should be put on hold. Now that funding approval from the DfT has been obtained, it is important that the negotiations with landowners are resumed.
- 3.6 Once the Orders process has been completed, the detailed design of the scheme will be completed. This will involve the development of the existing design and finalising details of the specific elements of the scheme, including carriageway construction, kerbs, verges, lighting, traffic signals and landscaping and other environmental mitigation measures. As part of this process, a detailed target cost for the construction of the link road will be prepared. This target cost will be submitted to Cabinet for approval before construction works can start on the road.

3.7 Recommendation

- (iv) Members note the progress in the preparation of the necessary statutory Orders for the scheme.
- (v) Cabinet gives approval for the activities that were put on hold in June 2010 to be re-commenced, including land acquisition.
- (vi) Cabinet approves the start of work on the next stage of the scheme.

4.0 Governance arrangements

- 4.1 The Department for Transport expect formal and comprehensive Project Management procedures to be in place throughout the duration of the project. Cabinet at the meeting on the 8th February 2007 approved Project Management arrangements based on the Office of Government Commerce (OGC) methodology "Managing Successful Projects with Prince 2". This process requires management levels and key responsibilities to be formally recognised, and the establishment of a Project Board involving representatives of the Council, delivery partners and prospective users of the project. To date these arrangements have proved very positive in managing the delivery of the scheme.
- 4.2 The Senior Responsible Owner is the Council's Contract Project Manager, chairs the Project Board and provides the senior link with the Department for Transport. Cabinet at the meeting of the 1st October 2009 approved that the duties and responsibilities of the Contract Project Manager be delegated to the Assistant Director (Transportation & Development) Planning & Economic Regeneration Department. The Assistant Director has continued to fulfil this role since then, but this Assistant Director post will be deleted at the end of March 2011.
- 4.3 It will be important to maintain the responsibility at an appropriate level both within the project team and in liaison with DfT. It is therefore proposed that the designated officer for the role of Senior Responsible Owner and Sefton Council Contract Project Manager within the Project Management structure for the scheme be amended to the Director Environmental Services. The DfT will be advised accordingly.
- 4.4 Recommendation
 - (vii) Cabinet approves the revised Project Management arrangements and Project Board for the scheme.

5.0 Scheme Programme

5.1 The scheme programme was reviewed following the preparation of the Best and Final Funding Bid. The following key programme dates have been identified :

Cabinet approval of draft Orders (SRO, CPO)	April 2011
Publish draft Orders (SRO, CPO)	April 2011
SoS decision on need for Orders Inquiry	July 2011
Public Inquiry (if required)	Jan 2012
SoS Decision following Inquiry	May 2012
Approval of target cost	Oct 2012
Construction start	Nov 2012
Construction complete	Nov 2013
Scheme open to traffic	Dec 2013

5.2 Recommendation

(viii) Members note the revised programme for the scheme.

6.0 Scheme Costs

6.1 Cabinet on the 17th May 2007, approved a council contribution to the Thornton to Switch Island Link scheme of £5.912m over the financial years 2008/09 to 2012/13. The profile of the Council's commitment has been reported to Cabinet at the following meetings to keep the Medium Term Financial Plan up-to-date: 17th May 2007, 29th November 2007, 2nd October 2008, 1st October 2009 and 10th June 2010.

6.2 With the inclusion of the scheme by the new Government in the 'Supported Pool' of major schemes, the DfT have introduced revised funding arrangements. The DfT requested Local Authorities to identify a fixed contribution from the DfT that cannot be altered in the future and that showed a reduction on the amount previously approved at Programme Entry stage. This would mean that any additional costs after the funding package is approved will fall on the Council as promoting authority.

6.3 The Council's Best and Final Funding Bid was prepared on this basis and was approved by Cabinet on 16th December 2010. As part of the cost evaluation carried out for the preparation of the BAFFB, it was proposed that the Council's contribution to the scheme could be increased, but with the overall

allocation remaining unchanged. Based on the BAFFB, the Council's funding can therefore be summarised as:

	Total Approved £'m	August 2009		February 2011	
		Spend to Date £'m	Spend Profile £'m	Spend to Date £'m	Spend Profile £'m
2007/08	-	-	-	-	-
2008/09	0.830	0.114	0.114	0.114	0.114
2009/10	0.958	0.051	1.122	1.098	1.098
2010/11	0.512		0.712	0.364	0.380
2011/12	1.597		1.949		1.020
2012/13	2.015		2.015		3.000
2013/14					0.300
Total	5.912	0.165	5.912	1.576	5.912
Local Authority Contribution				£4.088m	
Ineligible Costs				£0.650m	
Contingency				£1.174m	
TOTAL				£5.912m	

6.4 Based on the indicative programme a revised spending profile for the Council's contribution is proposed. This is provided in the table below.

6.5 Recommendation

(ix) Members note the revised spend profile for the scheme.

7. Conclusions

7.1 The Council has been promoting this scheme for many years and there is overwhelming public support for the scheme, as demonstrated by the public consultations undertaken over recent years.

7.2 The Government has fully recognised the benefits and value for money the scheme offers by approving the Council's funding bid. The scheme proposals are considered deliverable within the current allocation in the Council's Capital Programme.

Department for **Transport**

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- 7.3 It is important to move to the next stage of scheme delivery and re-commence activities that were suspended in June 2010. The next stage of the scheme is to proceed with the preparation of statutory Orders and negotiation with landowners for the purchase of land by agreement.

Dear Mr Waldron,

THORNTON TO SWITCH ISLAND SCHEME – FUNDING APPROVAL AND RECONFIRMATION OF PROGRAMME ENTRY

Following the receipt of your Best and Final Funding Bid dated 22 December 2010 for the above scheme and following the consideration of that bid as set out in the Department's Spending Review statement "*Investment in Local Major Transport Scheme*", this letter confirms that Ministers have agreed to provide Sefton Council, the funding requested, subject to the following conditions and reconfirm Programme Entry for the scheme. This allows your Authority to complete the negotiation of all the remaining legal and procurement processes (but not enter into contractual or other legal commitments) following which a request for Full Approval, or Conditional Approval if procurement has yet to be finalised, can be made. Once Full Approval has been granted the required contractual and other legal commitments can be entered into.

DfT Funding

As part of this approval the Department will provide a maximum capped funding contribution of **£14.5m** towards the estimated total scheme cost of **£18.588m**. This figure is inclusive of preparatory costs and no further funding will be provided by the Department for this scheme. Should Full Approval of your scheme be granted, funding will be paid as capital grant under Section 31 of the Local Government Act 2003 to an indicative profile to be agreed.

Terms and Conditions of Funding

This offer of funding is subject to the following conditions:

- i. This funding approval is granted entirely without prejudice to any view that the Secretary of State or other Ministers may take on any future application for statutory powers or in accordance with any other functions.
- ii. The scheme must be implemented in accordance with the scheme proposals as set out in your Best and Final Funding Bid, subject to any changes which may occur as a result of further design or as a result of any remaining statutory procedures. Ministers reserve the right to reconsider their decision on funding if there are any changes to the overall cost, scope or design of the scheme which they consider to be material, particularly where such changes would alter the value for money of the scheme. You must notify the Department immediately of any such material changes.
- iii. Ministers also reserve the right to ask for a proportionate review of delivery, procurement and evaluation arrangements before granting Full Approval.
- iv. The Department's contribution will be a maximum of **£14.5m**. This figure is inclusive of preparatory costs and no further funding will be provided by the Department. Sefton Council is solely responsible for meeting any expenditure over and above this amount.
- v. Should this scheme progress to Full Approval, further detailed conditions would apply to any grant payable. These may include matters not yet discussed with you, and may typically include conditions similar to those shown on the attached sheet titled 'Standard Conditions of Grant for DfT Major Schemes'. As set out in these grant conditions it is expected that grant would be claimed quarterly in arrears on the basis of actual work done.
- vi. This offer of funding is conditional upon grant being claimed within the Spending Review Period i.e. up to and including 2014/15. Ministers reserve the right to reconsider their decision on funding if, for any reason, including delay to the remaining legal and procurement processes, the timescale for funding of this scheme changes sufficiently such that the grant cannot be claimed in full before 2014/15.
- vii. Sefton Council will be solely responsible for the validity of the procurement process for the scheme.
- viii. We expect you to keep us closely informed of progress with, and expenditure on, the scheme and it is important that you complete and return quarterly monitoring forms by the due date.
- ix. You will be required to carry out a full evaluation of the scheme, the details of which we would wish to discuss with you. We would expect you to make the results of this evaluation available to the Department.

I should be grateful for written confirmation that Sefton Council agrees to these conditions, including certification from your Section 151 Officer that the Council accepts the above terms and conditions.

Full Approval

No grant may be claimed until the Department has confirmed Full Approval status for this scheme. Your formal request to the Department for Full Approval will need to include:

- confirmation of the overall cost and scope of the scheme;
- a declaration that that you have acquired all the necessary statutory powers to construct the scheme;
- confirmation that you have completed the procurement process to a stage where you have a preferred bidder and a firm and final offer; and
- confirmation from your S151 officer that Sefton Council has the ability to cover all remaining funding required over and above the capped Departmental amount including any additional funding required as a result of the remaining legal and procurement processes.

I look forward to receiving a bid for Full, or Conditional Approval, once any remaining legal and procurement processes have been satisfactorily completed.

Yours sincerely,

Charlie Sunderland