

Decision maker:	Cabinet member infrastructure
Decision date:	Thursday 23 November 2017
Title of report:	Hereford City Centre Transport Package - Programme Update
Report by:	Head of infrastructure delivery

Classification

Open

Decision type

Key

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

Aylestone Hill; Central; Widemarsh;

Purpose and summary

To update the cabinet member of the current position regarding Hereford City Centre Transport Package (HCCTP) and progress of the city link road and to approve the next steps regarding the design of other package measures.

The City Link Road project is nearing completion on programme and when complete will provide the necessary infrastructure to enable the transformation of the city centre with development opportunities including an urban village, university accommodation and public service hub facilities. Following the completion of the road further measures including a new transport hub at the train station and public realm on surrounding streets will enhance the area and provide opportunities for more sustainable travel as part of an overall transport strategy for Hereford.

This report provides an update on project progress, programme and budget at this stage of the project

There is an approved budget in the capital programme for the Hereford City Centre Transport Package of £40.6m. This includes an external grant of £16m from the Marches LEP Growth Fund.

The total estimated cost of the package comprises the city link road and other transport improvements in the area once the new road is completed.

The forecast estimated outturn of the Hereford City Centre Transport Package is currently within the approved budget of £40.6m and the current forecast for the main road construction contract outlined above is contained within this overall forecast.

Recommendation(s)

That:

- (a) within the overall capital programme allocation of £40.6 million for the Hereford city centre transport package (HCCTP), the revised allocations of funding in relation to the key elements of the package, as detailed in paragraph 24 be approved.;**
- (b) the Director for Economy, Communities and Corporate be authorised to take all operational decisions necessary to progress detailed design and feasibility within the allocated budget of £563,000 identified in paragraph 24 for the professional fees associated with the remaining package elements of a transport hub and upgrading the existing highway from the junction of the City Link Road, along Commercial Road, Blue School Street to its junction with Widemarsh Street and Newmarket Street to inform further decisions.**

Alternative options

1. Funding of public realm schemes following completion of the City Link Road is altered or reduced from that set out in Business Case. This is not recommended as budget is available to deliver these schemes which will deliver the full benefits to the city.

Key considerations

Policy and benefits – why are we doing the HCCTP

2. The HCCTP is a key project to support the development and growth of Hereford. It comprises the city link road and a complementary package of transport improvements to support the masterplan for the regeneration of Hereford city centre and release land for development. The recent Old Market development has transformed the city centre and the new city link road will continue the regeneration of this area and enable the delivery of phase two of the retail area, an urban village with affordable housing, and important public service buildings for police, fire and health services and university accommodation.

City link road

3. The HCCTP has been developed over a number of years and the city link road, which forms the largest single element of the package is currently under construction.
4. Planning consent for the city link road was secured on 30 March 2010 and the scheme was subsequently included in the council's capital programme. Provision of £27m was

made in the capital programme, but it was recognised that external funding would also be sought.

5. On 14 June 2012 cabinet authorised officers to proceed with acquisition of all necessary land interests for the road scheme through negotiation with affected landowners.
6. On 14 March 2013 cabinet authorised the making and implementation of the necessary orders for the city link road scheme. This report confirmed that the road scheme would be delivered alongside a package of traffic measures on the surrounding road network. Cabinet also authorised officers to procure and let the construction contract and to take all necessary steps to proceed with scheme implementation.
7. Land assembly continued with the purchase of a number of packages of land and in parallel a CPO process was undertaken with public inquiry. The CPO was confirmed in September 2014.
8. The council was successful in securing £16m from Marches LEP Growth Fund to deliver the HCCTP in December 2014. This award was made to ensure a package of complementary measures including the city link road could be delivered to enable regeneration of the city centre and delivery of improvements on Commercial Road and Blueschool & Newmarket Streets and the provision of a Transport Hub at the train station. This package was estimated at £40.6m. Having secured external funding of £16m the local contribution required reduced to £24.6m.
9. The estimated costs of delivering the HCCTP referred to above were set out in a detailed business case submitted to the Marches LEP. These can be seen in the table in paragraph 24 and the business case which is a background paper to this report. This outlined construction, land, statutory undertakers and professional fee costs for both the road and public realm package elements of the project. Costs were estimated at quarter 4 2014 prices and were then factored to include an appropriate amount of risk and construction based inflation to reflect the expected duration of the project delivery. This document was accepted and signed off by the Marches LEP and drawdown of the Growth Fund grant commenced.
10. The council's capital programme was amended to reflect the funding and business case approved by the LEP at its meeting on 18th December 2015. This increased the budget for the HCCTP by adding £13.6m to the £27m capital budget allocation at that time for the City Link Road. This reflected the total estimated cost of the scheme with the funding provided by the LEP and Herefordshire Council as set out in paragraph 8.
11. Land vested to the council following the confirmation of orders. Advance works to demolish buildings, install culverts, clear site and remediate contaminated ground commenced in 2015 in advance of the main road building contract.
12. The council commenced an OJEU procurement process in September 2015 to secure a contractor to deliver the main road contract which resulted in the award of a contract in April 2016.
13. Construction of the city link road commenced in September 2016. Works have progressed well and the scheme is on track to be completed by the end of 2017. The current forecast out-turn for the construction of the road is £12.592m and this is £2.315m below the estimate contained in the business case. The latest forecast expenditure within the scheme budget compared to the estimates contained in the business case are outlined in paragraph 24 below.

Other package elements

14. The completion of the city link road will enable the delivery of the remaining elements of the package which are currently at design feasibility stage. The business case for the HCCTP identified the following key elements:
 - Transport Hub – to create a place where public transport facilities within the city are brought together at the railway station to create a high quality entrance to the city and enable interchange between trains and buses.
 - Upgrade of Commercial Road, Blueschool Street and Newmarket Street including improvements to the Commercial Road junction with Commercial Street and Union Street to improve the environment within the city, to reduce severance and allow the continued development of the city centre. Investment in other areas of the city centre including Commercial Street and St Owen Street will also progress but this will be funded from other capital budgets and / or bids as they are out of scope of the HCCTP.
15. Detailed design and consultation of these measures needs to be progressed and there is funding is available to take these forward in accordance with the original business case. The estimated costs of the remaining elements of the package will be regularly reviewed as the projects are delivered to ensure they are delivered within the budget available for the public realm elements of the package following the completion of the road. Therefore it is recommended that the Director for Economy, Communities and Corporate be authorised to progress detailed design and feasibility for the remaining package elements within a budget of £563,000 and that further reports be prepared for consideration to approve planning, delivery and construction. This design and feasibility work will be undertaken by Balfour Beatty Living Places as part of the Public Realm Annual Plan.

Conclusion

16. The forecast outturn for the HCCTP remains at £40.6m, in accordance with the budget contained within the capital programme and business case approved by the LEP for Growth Funding.
17. The city link road is due to be completed on time and within budget. The completion of the road will enable the other package elements to be progressed and approval is sought to take forward the detailed design of these elements. Further reports will be prepared on each of these package elements to seek approval to proceed to construction in due course. The design of these projects will be delivered by Balfour Beatty through the Public Realm contract and the appropriate model to deliver the works on site will form part of future reports.

Community impact

18. The city link road is in line with the priorities set out within the council's corporate plan. The scheme supports economic growth and connectivity. It will provide good quality housing and will lead to an improvement in quality of the built environment.

- 19 The city link road is designed to take traffic from the inner ring road in Hereford – and so enable Newmarket and Blueschool Streets Hereford to be further upgraded for easier pedestrian movement and reduction in through traffic that would be transferred to the link road. By removing existing barriers and improving access, the expansion of the city centre northwards, into the regeneration area, will be enabled.
- 20 The redevelopment of the area will open up land for residential redevelopment. It is estimated that in the region of 800 new housing units could be accommodated within this allocation – approximately 35% of units will be classified for affordable use.
- 21 As a part of the statutory planning process, and as part of the wider community engagement process, there has been considerable community consultation over the City Link Road and its route. There has been considerable communications and stakeholder engagement during the delivery of the road project.
- 22 During the delivery of the city link road health and safety has been the responsibility of the main contractor and any matters are scrutinised by the Councils project management team.

Equality duty

- 23 Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows:
A public authority must, in the exercise of its functions, have due regard to the need to
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The Equality team have been consulted on this report; it is considered that there is no negative impact on the Protected Characteristics identified in the Equality Act 2010.

Resource implications

- 24 The scheme is included in the council’s capital programme with an approved budget of £40.6m for the delivery of the road scheme and complimentary package of measures. The following table compares the cost estimates for the scheme as set out in the business case submitted to the Marches LEP and forecast outturn costs.

Costs estimated at Q4 2014.	November 2015 £000	Forecast Outturn £000	Variance £000
City Link Road Construction & Statutory Utilities	14,907	12, 592	-2, 315
City Link Road Land Acquisition	11,023	14, 873	3, 850
City Link Road Professional Fees	3,714	5, 715	2, 001

Risk Allowance	1,735	500	-1, 235
Inflation Allowance	2,989	480	-2, 509
City Link Road (incl Risk & Inflation)	34,368	34, 160	-208
Commercial Road, Blueschool and Newmarket Streets, plus Transport Hub Construction & Statutory Utilities	5, 927	5,927	0
Commercial Road, Blueschool and Newmarket Streets, plus Transport Hub Land Acquisition	0	0	0
Commercial Road, Blueschool and Newmarket Streets, plus Transport Hub Professional Fees	563	563	0
HCCTP Total	40, 858	40, 650	-208

25 The current forecast outturn cost for the city link road project is £34.160m with the road being delivered in advance of other public realm measures.

26 Within this budget the following variances are noted:

- a. Forecast outturn costs for the construction of the CLR is £2, 315m less than original CLR construction cost estimate in the business case. The delivery of the CLR contract was procured using the OJEU process and a competitive tender received for the roadworks contract resulted in a target cost for the project which was within the estimated cost of the road scheme. Robust management and scrutiny of compensation events by the project management team ensures that any claims associated with unforeseen events and subsequent delays are robustly assessed and challenged and this has ensured the forecast outturn cost of the road scheme remains within the overall budget for the CLR within the HCCTP budget.
- b. Forecast outturn costs for land acquisition are £3.850m more than originally estimated in the business case. Additional land has been acquired outside the footprint of the road to enable planned regeneration on completion of the road scheme. This cost was not contained within the land costs estimated in the business case. These areas include the Rockfield site outside the extents of the new highway, the Police Training ground site, and the former Bethnall motors site, Hereford Glass site outside the new highway extents, the former BP & Arrow Plants sites on Edgar Street and the former CRW carpets. The increased costs associated with sites has resulted in an increase against original business case allocation and has been funded by drawing down budget contingency & risk allowances. The acquisition of these sites will mean that 13 acres gross of land is available for development following the completion of the CLR. The net developable area will reduce to take account of works required to deliver each site. Good city centre residential land could achieve in excess of £750,000 per net developable acre. The net receipt will be dependent on specific plot requirements.
- c. Forecast outturn costs for professional fees associated with the CLR are £2m more than originally estimated in the business case. Increased fees have resulted from a combination of following items below which have been funded by drawing down budget contingency & risk allowance:

- Professional fees associated with design and supervision have increased as a result of longer programme duration and increased construction supervision requirements. The Business Case fee costs were based on programme completion in 2019/2020. The current programme forecasts completion in 2020/2021. This revised programme is a result of the complexity of the project and time required to deal and address design and construction matters including contaminated land, unchartered statutory undertakers, pavement and drainage matters on the A49 trunk road. These issues have also required a higher level of construction supervision cost than anticipated in the Business Case allocation.
- Statutory undertaker's costs and third party fees are higher than the estimates contained within the Business Case. These include costs of diverting and protecting existing equipment affected by the scheme. The third party costs of liaising with Highways England regarding works in the trunk road and payment of their future maintenance costs commuted lump sum have also increased and these contribute to the forecast increase in professional fees.
- A number of value engineering proposals were undertaken to reduce the construction cost of this project. The most significant of this was a redesign of the surface water drainage design at the eastern end of the project. This reduced the impact of construction of the scheme on A465 Aylestone Hill but did require increased design review input which has contributed to the increased professional fee element of the CLR. It has however resulted in lower construction cost and reduced disruption to the travelling public. These variances are contained within the overall road budget with remaining risk and contingency amounts appropriate for this stage of the project. On this basis £6.5m will be invested in the remaining measures on Commercial Road, Blueschool & Newmarket Streets and a transport hub at the railway station. This work will be progressed in partnership with Network Rail as the owners of the railway land required.

Legal implications

- 27 The cabinet member is able to delegate the next stage of delivery of these projects to an officer. Any decision taken which includes a requirement for an officer decision to be published will have contained within it the legal implications of that decision.

Risk management

- 28 The risk register for the HCCTP project is reviewed and updated regularly by the project team as the project progresses.

Consultees

- 29 Affected landowners, businesses and local ward members have been and will continue to be consulted throughout the process of package development, design and delivery.
- 30 All political group leaders were consulted about this report on 6 October 2017 and comments were invited by the 19 October 2017. The following response was received from Cllr Powers

IT'S OUR COUNTY: Response to Key Decision proposal HEREFORD CITY CENTRE TRANSPORT PACKAGE –PROGRAMME UPDATE

Our main concerns on the HCCTP programme update relate to the recently reported overspend on the City Link Road and the risk this poses to delivery within the package budget of the other elements in the HCCTP.

In response to a public question to Full Council on 13 October, the cabinet member reported that the expected cost of the City Link Road was now £34.1M, an over-spend of £7.1M on the agreed original budgeted cost of £27M for this element of the Package.

To our knowledge councillors had not previously been made aware of this projected over-spend.

The report to Full Council by the internal auditor (South West Audit Partnership) 'HCCTP – Link Road Scheme 2016-17' issued on 14 June 2016 states: *"I also verified that the programme spend (including future years) totals £40.6M, as originally reported. However the table in the February 2016 MTFS (Medium term financial strategy) was not immediately clear, as it listed Hereford City Link Road and Hereford City Centre Transport Package as two separate line entries which listed the programme planned spend as £27M and £13.6M respectively."*

In the Report on Accounts to 31 March 2016 the council's external auditor Grant Thornton states: *"There is scope to improve both the quality control of committee reports and to improve transparency in reporting around individual schemes."*

Whilst these and other shortcomings and failures in reporting were duly acknowledged, and were corrected in re-issued outturn reports, there appears to have been no statement since June 2016 of the projected Link Road over-spend, nor evidently has this been agreed by cabinet or council.

Given the £7.1M over-spend on the Link Road element within the overall £40.6M budget of the HCCTP, what assurance can be given that the remaining elements of the Package – including the active travel measures for Commercial Road, St Owen Street, and the transport hub – budgeted at £13.6M, will be delivered?

Why, when improved transparency of reporting has been agreed in line with the auditors' recommendations, was the £7.1M over-spend revealed and reported to Full Council only in response to a public question on the matter, and as recently as 13 October?

Cllr Anthony Powers
Group leader, on behalf of It's Our County

18 October 2017

- 31 The response refers to overspend and communication of overspend of the City Link Road and the impact of this on the delivery of remaining elements of the package. This report sets out detailed information which confirms the CLR remains within budget and there is budget available to deliver the remaining elements of the package following the completion of the road scheme.

Appendices

None

Background papers

HCCTP Business Case (November 2015)

https://www.herefordshire.gov.uk/downloads/download/1819/hereford_city_centre_transport_package_business_case