

## Cabinet

<b>Report Title:</b>	Wet Dock Crossing, Ipswich and Lake Lothing Third Crossing, Lowestoft
<b>Meeting Date:</b>	17 May 2016
<b>Lead Councillor(s):</b>	Councillors James Finch, Richard Smith MVO and Guy McGregor (Member with special responsibilities for outside bodies)
<b>Local Councillor(s):</b>	Councillors Bryony Rudkin, Kim Clements, Mandy Gaylard, Janet Craig, Keith Patience, Bill Mountford and Derek Hackett
<b>Director:</b>	Geoff Dobson. Director of Resource Management
<b>Assistant Director or Head of Service:</b>	Bryn Griffiths Assistant Director Infrastructure and Waste Mark Stevens Assistant Director, Operational Highways, Resource Management
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### Brief summary of report

1. The Chancellor's Budget included an allocation of Government funding to support two very large transport infrastructure projects in Suffolk. £77.546 million has been allocated towards the Ipswich Wet Dock Crossing and £73.39 million towards the Lake Lothing Third Crossing. This requires a local capital contribution of £37.4 million for both schemes under the terms of the government approval.
2. Government funding is subject to the submission of a final business case at a point when all statutory processes have been completed to enable scheme construction and when the Council is ready to enter a contract to construct. It is anticipated that construction of both projects could commence in 2019/20.
3. In order to develop the schemes to the point where a final business case can be submitted significant revenue and capital investment will be required.
4. It is estimated at this point that the likely cost of taking both schemes forward over the next three financial years will total £20 million: £10 million of revenue funding and £10 million of capital funding (part of the above contribution referred to in paragraph 1). The spend profile will depend on progress against a complex programme and may vary but is likely to be as shown in paragraph 24.

### What is Cabinet being asked to decide?

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| <ol style="list-style-type: none"> <li>5. The Cabinet is being asked to include the Ipswich Wet Dock Crossing and Lake Lothing Third Crossing in the Council's capital programme and to approve the expenditure of up to £10 million revenue funding and up to £10 million in capital funding over the financial years 2016/17, 2017/18 and 2019/20 to develop each project to a point where a final business case can be submitted to Government.</li> </ol> |
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## **Reason for recommendation**

6. The proposed allocation of funding will enable work to continue on both schemes so that statutory consents can be obtained, the scheme designs progressed to a point where scheme construction can be procured and a full business case submitted to the Department for Transport so that the Government funding can be released.

## **What are the key issues to consider?**

7. The key issue to consider is whether the proposed allocation of capital and revenue funding to these schemes can be justified. The amount of money being requested is an estimate of what will be required and it is possible that additional funding will be needed later. The release of money from the Department of Transport for each scheme is dependent upon completion of the statutory approvals process and the submission of a final business case.
8. Overall funding for the schemes includes a local capital contribution to each: £19.1 million for Ipswich and £18.3 million for Lowestoft. The sources of the local contribution have yet to be confirmed given the uncertainties around local funding streams that may be available within any devolution settlement. There are a number of other potential funding opportunities including retained business rates, Community Infrastructure Levy and future New Anglia Local Enterprise Partnership Growth Deal funding. In view of the uncertainties around all these potential sources of funding it is likely that the Council would be required to guarantee the local contribution at the time of submission of the final business case. The capital funding invested in taking the schemes forward can be considered as part of the local contribution to the projects, thereby reducing the funding to be secured later.

## **What are the resource and risk implications?**

9. The estimated financial resource that is required is £10 million revenue and £10 million capital in total over the financial years 2016/17, 2017/18 and 2018/19 for both schemes. At this stage, however, given the scale of the projects there is some uncertainty about the extent of work that will be required to complete the statutory processes, acquire land and to procure the construction.
10. It is anticipated that some of these costs may be offset from other sources of funding but initially the Council will have to guarantee this resource. It is suggested that the revenue contribution is taken from the capital financing reserve and the capital element is carried in the short term from the Council's cash flow (temporary borrowing) until the Council needs to undertake a much larger tranche of permanent borrowing for a wide range of projects and to replace the use of reserves.
11. Both projects involve the construction of complex structures over bodies of water and including opening / lifting mechanisms. In addition to the capital cost of construction the Council will be responsible for ongoing costs to operate and maintain the structures. The likely ongoing costs are not yet known at this stage of scheme development but could potentially be in excess of £500,000 per year in total.

12. The principal risks associated with these projects are:
- a) The Council fails to secure the necessary statutory consents and land acquisition for one or both schemes in which case the affected scheme could not be built. This risk can be mitigated by ensuring that the processes to secure the necessary consents and to acquire land are rigorously followed.
  - b) The Council fails to secure final funding approval for one or both schemes from the Department for Transport. This risk can be mitigated by ensuring that the scheme business cases are updated as development progresses so that the very high value for money of the schemes can continue to be demonstrated.
  - c) The final cost at procurement of one or both of the schemes may be significantly above the estimated outturn cost. Under the terms of the Government funding offer (see sources of further information) its contribution to each scheme is capped and the promoting authority is liable for any additional cost. This risk can be mitigated to some extent by ensuring that the estimated cost is reviewed regularly as the scheme designs are detailed.
  - d) It is proposed that the Ipswich project will include a design competition following a request by Ben Gummer MP. This process will be undertaken in association with the Royal Institute of British Architects. There is a risk that this process will add additional time and cost to the project programme and delay construction, risking the loss of Government funding. It may also increase the likelihood of the risk of cost overrun identified at c) above. This risk can be mitigated by simplifying the design competition so that it can be carried out quickly, by controlling additional design costs and by ensuring that the terms of the competition are set so that the winning design can be provided within the estimated scheme cost. A competition for design is likely to result in a better appearance for the Wet Dock Crossing, which will be in a sensitive historic location within Ipswich.

### **What are the timescales associated with this decision?**

13. Government funding for the schemes has been secured from the Department for Transport's local major transport schemes budget. This Council has been advised that this funding is available until the end of the 2020/21 financial year. The programme for both schemes has therefore been determined with a view to a start of construction in 2019/20. This is a very ambitious target given the work that will be required to secure the relevant consents, to complete design work and to procure the contract works. In order to meet this target work must begin immediately so that applications for the necessary consents can be submitted in 2017.

### **Alternative options**

14. Cabinet could decide not to provide the necessary funding. In this case the projects could not proceed without alternative funding sources being available.

### **Who will be affected by this decision?**

15. Road users in Ipswich and Lowestoft, including those on the Strategic Road Network, that being the A14 in Ipswich and A12 in Lowestoft.

16. In both cases the schemes will enhance regeneration opportunities in the towns to the benefit of the local communities/employers.
17. Those with an interest in the land, be it landowners, tenants or statutory undertakers will be directly affected, as the Council will need to acquire the land interests it needs to build and operate the schemes.

## **Main body of report**

### *Introduction*

18. In his Budget speech on 16 March 2016 the Chancellor announced Government funding to support the construction of a new crossing of the wet dock in Ipswich and a third crossing of Lake Lothing in Lowestoft. Compelling outline business cases for both schemes had been submitted by the Council to the Department for Transport in December 2015.
19. Subsequent letters from the Department for Transport confirmed that Government funding allocated to each scheme was as follows:
  - a) Ipswich Wet dock crossing: £77.546 million towards a total estimated scheme cost of £96.649 million.
  - b) Lowestoft Lake Lothing crossing: £73.39 million towards a total estimated scheme cost of £91.73 million.
20. Overall funding for the schemes includes a local capital contribution to each: £19.1 million for Ipswich and £18.3 million for Lowestoft. The sources of the local contribution have yet to be confirmed given the uncertainties around local funding streams that may be available within any devolution settlement. There are a number of other potential funding opportunities including retained business rates, Community Infrastructure Levy and future New Anglia Local Enterprise Partnership Growth Deal funding. In view of the uncertainties around all these potential sources of funding it is likely that the Council would be required to guarantee the local contribution at the time of submission of the final business case.
21. The Government funding for each scheme will be made available subject to a final approval following submission of a full business case. The business cases can only be submitted after completion of all statutory processes and the completion of a procurement process for construction of the scheme.
22. In order to advance the schemes to the point where full business cases can be prepared a substantial amount of work needs to be done. There are no sources of funding available to support this work other than the Council's own resources.
23. At this point it is estimated that the funding required to develop the schemes to a point where final funding approval could be sought would total £10 million revenue and £10 million capital over the three financial years 2016/17, 2017/18, 2018/19. It is anticipated that construction of both schemes will commence in the 2019/20 financial year.

24. The estimated funding required in each financial year to cover work on both schemes is:
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| 2016/17: | £3 million revenue, £3 million capital |
| 2017/18: | £5 million revenue, £4 million capital |
| 2018/19: | £2 million revenue, £3 million capital |
25. The revenue funding is required to carry out intensive work associated with acquiring the necessary consents to build the scheme and to develop the full business case to be submitted to Department for Transport. This includes costs for developing and submitting Development Consent Orders, examination and legal costs, statutory and non-statutory consultations, environmental assessments, traffic and economic modelling and preparation of the final business cases. Capital funding is required to develop and finalise the engineering designs and to purchase land where this can be negotiated in advance of any compulsory purchase and following compulsory purchase. The capital investment can be considered as part of the local contribution to the overall scheme costs.

### *Consenting*

26. The Planning Act 2008 (“the Act”) provides a means to speed up the consenting of major infrastructure projects. It allows an application for multiple consents and the compulsory acquisition of land to be made at the same time. The Secretary of State for Transport is the ultimate decision maker for transport projects, with the Planning Inspectorate making a recommendation to it after an examination in public.
27. The regime is only open to infrastructure projects of national importance, so called Nationally Significant Infrastructure Projects (NSIP). For highways schemes, in simple terms, NSIPs include those projects for which the Secretary of State for Transport is the highway authority, i.e. trunk roads such as the A14, and the area of the scheme meets the relevant limits set out in the legislation.
28. However, the Act also provides a mechanism for highway scheme promoters, such as county councils, to apply to the Secretary of State for a Direction that their scheme is nationally significant and thus can enter the fast track Planning Act regime. A Direction was sought for the Lake Lothing Third Crossing to be designated an NSIP and this was granted on 22 March 2016.
29. At this time The Council remains in discussion with the Department for Transport in relation to the Ipswich Wet Dock Crossing and continues to make the case that that scheme is also nationally significant. If this bid fails, the Council would need to review the alternative options, likely to be a Transport and Works Act Order, and pursue other consents separately. This outcome would cause significant concern over the timely delivery of the Wet Dock Crossing scheme.
30. To avoid confusion, this report makes the assumption that both schemes would proceed under the Planning Act 2008.

31. For schemes classified as NSIPs, the promoter must make an application for development consent to the Planning Inspectorate. Before doing so however, there are strict requirements in relation to pre-application consultation (which are described in more detail below). The application will consist of a suite of documents including a draft Development Consent Order (the Statutory Instrument that authorises the scheme), an Environmental Impact Assessment and a description of how the development complies with the National Networks National Policy Statement. The National Networks National Policy Statement is the policy document against which the application is tested, not the Local Plan or National Planning Policy Framework as is the case for applications made under the Town and Country Planning Act. The Planning Inspectorate examines the application documents in a 6 month process, which includes public hearings, and then reports three months later. Its recommendation report is then sent to the Secretary of State for Transport who has three months to determine the application

### *Programme*

32. At the current time the Department for Transport, while not yet having agreed a funding profile, has been clear that funds must be committed by March 2021. The local contribution to each scheme could fund construction after this date, providing for some flexibility.
33. The Council is committed to meeting the Department for Transport's deadline in view of the possible risks to funding, but recognises the programme to deliver the schemes in this timeframe is extremely challenging.
34. It is estimated it would take between two and three years to build each scheme. Construction should, therefore commence in 2019/20. Once an application for development consent is accepted, a decision would be forthcoming around 15 to 18 months later. Therefore, applications for development consent orders for each scheme need to be made in the summer/autumn of 2017. To achieve this target means there will need to be an intensive period of design, environmental assessment and consultation over the next 12 to 15 months. This will be extremely resource intensive, involving internal and consultant resources.
35. A construction programme will be developed as design of the schemes progresses. At this stage it is anticipated that construction of each project will take between 30 and 36 months.
36. Core teams are being established to act as the intelligent client, managing multiple contracts with consultants and ensuring the schemes keep to programme. External support will be required with expertise in the relevant legislation, consultation and engagement, environmental impact assessment, land referencing and assembly and highways and structural design and construction.

## *Governance*

37. A Project Board has been established for each scheme. The Senior Responsible Officer for the Wet Dock Crossing Ipswich will be the Assistant Director, Operational Highways. In the case of the Lake Lothing Third Crossing in Lowestoft the Senior Responsible Officer will be the Assistant Director Infrastructure and Waste. The arrangements for the respective Boards include representation from either Ipswich Borough Council or Waveney District Council, as appropriate, and the appropriate lead consultant and contractors (once appointed). The inclusion of district and borough council officers on the scheme promoter's project boards reflects the importance of these schemes to their local areas. Ipswich Borough Council and Waveney District Councils will also have a statutory role, set out in paragraph 41, as consultees in the DCO process, which is entirely separate.
38. There is also a wider group associated with each project, bringing together key stakeholders, for example the local Members of Parliament and New Anglia Local Enterprise Partnership, with district, borough and county councillors. These groups will be important consultees as the schemes progress and will be attended by the Senior Responsible Officers and county councillors representing the County as scheme promoter.
39. The Council as the promoter of the schemes will, under the Planning Act 2008, also be required to consult itself as a host local authority. To ensure that there is a clear separation of duties in place the Assistant Director, Strategic Development will lead with regard to the Council's role as consultee.
40. The Director of Resource Management advised by the Monitoring Officer will ensure that appropriate mechanisms are put in place to ensure that the distinction between the Council as the promoter and the consultee is maintained, and an internal governance structure is established that will cover Council officers, Councillors and the decision making bodies. It is proposed that this will involve Cabinet receiving reports and taking decisions from the position of the Council as promoter, while consultation responses and decisions from the position of the Council as consultee will, where necessary and appropriate, be taken to Development Control Committee.

## *Consultation and engagement*

41. Pre-application engagement is a statutory requirement under the Planning Act 2008, with the Council required to consult for period of at least 28 days with statutory consultees (for example the Environment Agency); the Marine Management Organisation; host and neighbouring local authorities; all those people/organisations who may have a 'private' interest in the land affected by the projects and 'people living in the vicinity of the land' (i.e. the local community).
42. The Council is committed to full and inclusive engagement, and in practical terms, consultation with all the above parties will be ongoing throughout the pre-application process.

### *Scheme Design, Land Purchase and Procurement*

43. In addition to funding required to secure consents for the schemes, significant capital funding will be needed to take forward the engineering designs of these schemes to a point where there is clarity about the amount of land required; there can be certainty that they can be constructed and operated and where we can have a reasonable certainty of likely cost prior to the procurement process.
44. The Development Consent Order applications are likely to include a request for compulsory purchase powers so that land and rights required for the construction and operation of the bridges can be secured. In advance of that process, where parcels of land have been identified, attempts will be made to buy them for the Council by negotiation.
45. The procurement of these significant projects will require significant resources to ensure that best value is obtained.

### *Conclusion*

46. Cabinet is being asked to approve the expenditure of significant sums of money to take forward these projects in Lowestoft and Ipswich and there will be a need for further local funding in future years to support construction. The proposed investment demonstrates the commitment of the Council to the delivery of key infrastructure to support growth across Suffolk.

#### **Sources of further information**

- a) Outline Business Cases and funding letters from the Department for Transport:

<https://www.suffolk.gov.uk/roads-and-transport/public-transport-bus-pass-and-transport-planning/consultations-and-studies/#tab3>

- b) Planning Inspectorate website:

<http://infrastructure.planninginspectorate.gov.uk/application-process/the-process/>

- c) National Networks National Policy Statement:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/387222/npsnn-print.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/387222/npsnn-print.pdf)