



M55 to Heyhouses Link Road

Lancashire County Council

SOBC Shift Statement

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DRAFT



M55 to Heyhouses Link Road

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1. Introduction

The purpose of this shift statement document is to summarise the impact of the updated scheme costs and funding arrangements on the Strategic Outline Business Case (SOBC) for the unconstrained M55 to Heyhouses Link road scheme.

Minor updates to the proposed scheme delivery approach are also summarised in this document.

This document should be read in conjunction with the latest version of the M55 to Heyhouses Link Road SOBC (dated 21/02/19), which has already been independently assured (by Atkins in 2019) as part of Transport for Lancashire's assurance framework.

This shift statement document covers the following items:

- Chapter 2 - Confirmation of proposed scheme;
- Chapter 3 - Confirmation of updated scheme cost estimates;
- Chapter 4 - Confirmation of funding arrangements;
- Chapter 5 - Confirmation of delivery approach;
- Chapter 6 - Confirmation of impact on BCR; and
- Chapter 7 - Confirmation of developments supported by the scheme.

2. Confirmation of Proposed Scheme

Section 1.5 of the SOBC reported that Lancashire County Council (LCC) were still investigating the potential for delivering the 'unconstrained' scheme.

LCC had been in discussions with Oyston Estates about the purchase of some land which would enable the 'unconstrained scheme' to be constructed. As of August 2020, Oyston Estates have sold the land to a private owner. **LCC is currently working with the private owner** to reach an agreement to acquire the land necessary to deliver the unconstrained scheme.

As reported in the SOBC, *'The unconstrained scheme provides road width as per the northern section (with a combined cycle/footway) but is future proofed to allow accesses into Oyston Estates land without disruption to highway users. The unconstrained scheme is also a more efficient way to build the link road.'*

It has subsequently been assumed that LCC will be able to acquire the necessary land **and will therefore deliver the unconstrained scheme.**

3. Confirmation of Updated Scheme Cost Estimates

LCC have reviewed the scheme costs estimates that were presented in the latest version of the SOBC (February 2019) and updated accordingly.

It should be acknowledged that a procurement exercise is still to be undertaken for the elements of the scheme which are to be competitively procured (i.e. Earthworks). Subsequently the final scheme costs will be confirmed once the tender costs are returned.

The updated total scheme cost estimate, allowing for design, preparation and supervision costs, is £27.05m (based on undiscounted 2017 prices, with an allowance for inflation).

Table 3-1 below presents the updated scheme cost estimate alongside the cost estimate included in the SOBC (February 2019). It should be noted that assumptions applied to calculate the QRA and inflation allowances remain the same as reported in the SOBC.

Table 3-1 – Comparison of Scheme Costs

Item	As reported in SOBC (February 2019)	Updated Cost Estimate (August 2020)
Preliminaries	£2.78m	£1.65m
Statutory Undertakers Costs	£2.05m	£2.97m
Signs and Road Marking	£0.42m	£0.35m
Landscape and Ecology	£0.28m	£0.31m
Road Construction Cost	£11.0m	£11.92m
Structural Costs	£1.81m	£2.06m
QRA	£5.63m	£3.55m
Inflation	£0.83m	£0.59m
Land Compensation	£0.38m	£0.38m
Site Supervision	£1.43m	£1.19m
Optimism Bias	£0.57m	£0.59m
Total	£27.18m	£25.55m
Design + value of KDL land (S106 collected)	Excluded	£1.50m
Total		£27.05m

As outlined above, the scheme cost estimate has decreased from that reported in the SOBC (February 2019).

4. Confirmation of Funding Arrangements

4.1 Funding Arrangements

Based on the updated scheme cost estimate presented in Table 3-1, the funding arrangements for the scheme have now been finalised as per Table 4-1 below.

Table 4-1 – Funding Arrangements

Organisation / funding pot	As reported in SOBC (February 2019)	Based on Updated Cost Estimate (August 2020)
Growth Deal funding	£1.98m	£0m (withdrawn)
Highways England GHF funding	£4.78m	£4.78m
Fylde Borough Council / Blackpool EZ	£1.0m	£2.0m (increased)
Lancashire County Council	£1.7m	£5.48m (increased)
Kensington Developer Contribution	£7.0m	£2.50m (reduced)
DfT NPIF	£5.0m	£5.0m
Housing Infrastructure Fund	£3.81m	£0m (withdrawn)
Risk (to be covered by LCC)	£1.91m	£0m (removed)
MHCLG shovel ready scheme funding	£0m	£5.79m (new)
Total	£27.18m	£25.55m
S106 collected (including value of KDL land)	Excluded	£1.50m
Total		£27.05m

The key changes to the funding arrangements (compared to the SOBC) are summarised below:

- The addition of £5.79m of funding from the Ministry of Housing, Communities and Local Government (MHCLG) shovel ready scheme funding (via the Lancashire LEP). This funding replaces the Growth Deal and Housing Infrastructure Fund (HIF) funding which are no longer available;
- The Local contribution provided by Lancashire County Council and Fylde has increased;
- Private sector developer funding has decreased by £3.0m (from £7.0m to £4.0m). The updated private sector funding arrangements contain £2.50m from Kensingtons and £1.50m from Section 106 funding which LCC has already collected (including the value of the gifted Kensington land); and,
- The funding arrangements included in the SOBC (February 2019) included £1.91m of Risk (to be covered by LCC). This risk amount is no longer considered separate in the updated funding arrangements and is included in the scheme cost. LCC will provide a Section 151 Officer declaration, which means that LCC will ultimately cover any additional funding required to cover an increase in scheme cost.

Appendix F of the SOBC (February 2019) provides the original funding approval letters from:

- Highways England GHF funding
- Fylde Borough Council
- DfT NPIF

Due to an 18-month period passing since the previous funding arrangements were confirmed in the SOBC, LCC have contacted the updated funding providers to reconfirm the funding availability. The status of each funding stream is summarised in Table 4-2 below.

Table 4-2: Funding confirmation

Organisation / Funding Pot	Status on funding
Lancashire County Council	Funding has been secured, subject to other funders contributions
Fylde Borough Council / Blackpool EZ	Funding has been secured, subject to other funders contributions
National Productivity Investment Fund	Funding has been received and currently being spent on scheme commencement works
Highways England GHF funding	Legal agreement to be signed on confirmation from the LEP of MHCLG shovel ready funding
MHCLG shovel ready scheme funding	Secured in principle, subject to satisfying the LEP
Kensington Developments Ltd	LCC currently finalising appendices to the legal agreement

4.2 Expenditure Profile

A revised funding expenditure profile, based on the updated scheme cost estimate, is included in Table 4-3.

Table 4-3 – Revised Funding Expenditure Profile (WLC £m)

Year	18/19	19/20	20/21	21/22	22/23	23/24	24/25	Total
Private Sector Kensington and S106 Collected (Design and land for road (KDL))								
Profile	1.00	0.25	0.25			2.50		4.00
NPIF								
Profile	0.93	0.33			3.74			5.00
Highways England GHF								
Profile				2.97	1.81			4.78
Fylde BC and Blackpool Airport Enterprise Zone								
Profile					2.00			2.00
Lancashire County Council								
Profile					2.49	1.96	1.03	5.48
MHCLG shovel ready scheme funding								
Profile			0.40	5.39				5.79
Total	1.93	0.58	0.65	8.36	10.04	4.46	1.03	27.05

5. Confirmation of Delivery Approach

5.1 Scheme Delivery Approach

The scheme will now be delivered via a combination of Lancashire County Council’s inhouse delivery teams and external contactors who will tender for specific elements, such as the earthworks contract.

The change in scheme delivery strategy (to rely more on LCC’s inhouse delivery teams), has been made to better manage scheme cost and risk. Risk can be better managed as the road will principally be delivered by the highway authority, but will include a number of tendered elements such as earthworks. This approach limits risk as contractual compensation event claims will not occur on the works being delivered by the highway authority and the construction programme can be more flexible.

For example, if there are unforeseen time delays as a consequence of settlement taking longer (due to poor weather or poor ground conditions), this could be a compensation event if being delivered by a contractor as those sections of road construction cannot commence. However, LCC can prioritise to work on other schemes elsewhere whilst waiting, thus not resulting in additional costs.

5.2 Project Board

The Project Board who will support delivery of this scheme has been updated to consist of representatives of the following organisations and individuals:

- Lancashire County Council
- Fylde Borough Council
- Mark Menzies MP

5.3 Scheme Delivery Programme

Table 5-1 below provides an updated key milestones delivery programme for the scheme.

Table 5-1 – Delivery Programme

Task	Start	Complete
LCC procurement for earthworks	Sep-20	Jan-21
LCC preparation (office)	Ongoing	
LCC site set up	Jan-21	Mar-21
Other LCC pre-commencement works	Jan-21	
Earthworks/structures contract	Apr-21	Oct-22
LCC road construction	Apr-21	Oct-23
Road completed and opened for use	Oct-23	

6. Confirmation of Impact on BCR

The impact of the updated scheme costs and funding arrangements on the scheme Benefit to Cost Ratio (BCR) is reported below in Table 6-1.

It should be noted that the economic assessment reported in the SOBC has not been updated. The change in the BCR reported below is purely down to the impact of the minor change in scheme costs and the change in the level of developer contributions.

In line with WebTAG guidance, the value of the developer contributions has been subtracted from both the investment costs in the Public Accounts (PA) table (to offset the cost to the public sector provider) and from the user benefits in the Transport Economic Efficiency (TEE) table (to record the cost to the private sector developer).

Table 6-1 - Impact on Scheme BCR

	As reported in SOBC (February 2019)	Based on Updated Cost Estimate (August 2020)
Present Value of Benefits (PVB)	£48,060,247	£50,681,835
Present Value of Costs (PVC)	£14,897,463	£17,306,045
Net Present Value (NPV)	£33,162,784	£33,375,790
Benefit to Cost Ratio (BCR)	3.23	2.93

(All figures are in 2010 prices, discounted to 2010)

As outlined above, the impact of the updated scheme costs and funding arrangements has caused the BCR to decrease by 0.3 from that reported previously in the SOBC (February 2019).

As per the DfT's Value for Money guidance, with a BCR of 2.93, the scheme is still expected to deliver 'High' Value for Money. Furthermore, despite this slight change in the initial scheme BCR, the scheme still sits comfortably within the 'High' Value for money category, even prior to considering any of the additional GVA benefits reported in the SOBC, which are still excluded from the scheme BCR.

7. Confirmation of Developments supported by the Scheme

The number of developments supported by the scheme, due to better and more direct connectivity to the existing built environment, has been reduced by 144 dwellings (from 1,047 to 903 dwellings), compared to what was reported in the SOBC (Appendix A in the Traffic Modelling and Economic Appraisal Report).

Table 7-1 provides a breakdown of how the 903 dwellings supported by the scheme are distributed.

Table 7-1: Housing sites supported by the scheme

Development Area	Dwellings
Queensway (Annual Position Statement)	180
Queensway (Post Annual Position Statement)	306
St Annes Sites	159
Cropper Road	258
Total	903

Recent analysis undertaken by Homes England in 2020 concluded that the KDL Queensway site may not be viable to satisfy all its infrastructure obligations. The major highway infrastructure obligations / requirements are the Queensway signalised junction, the east west spine road (known as T5) and the M55 Heyhouses Link Road (known as T6). These key site requirements are linked to KDL Queensway development related triggers. It is to be noted that Kensington developers cannot deliver any more than 149 occupied units based on the original trigger points until the funding for the initial stage of the link road (T6) is secured (this being from Whitehills roundabout to the intersection with Anna's Road).

It should be noted that this slight reduction in the identified scale of residential development supported by the scheme will have no impact on the updated BCR reported in section 6 of this note. This is because, as outlined in the SOBC, the BCR calculation does not incorporate any dependent development benefits, and the net GVA benefits associated with the delivery of the supported developments are presented separately and excluded from the BCR calculation.