

North Somerset Council

Report to the Transport, Climate and Communities Policy and Scrutiny Panel

Date of Meeting: 30 November 2023

Subject of Report: A38 MRN progress update

Town or Parish: Various

Officer/Member Presenting: Jason Reading, Senior Project Manager

Key Decision: No

Reason:

Report is for information and scrutiny

Recommendations

For the Committee to note the contents of this report and provide feedback.

1. Summary of Report

The Outline Business Case for the MRN A38 project was submitted for approval to DfT in March 2022. In November 2023, DfT announced that the OBC had been approved and funding to commence and deliver the Final Business Case had been granted.

North Somerset Council has been liaising with key stakeholders including Somerset Council and Bristol Airport to ensure that the legal agreements are secured as the FBC commences.

Engagement with the market has also been carried out to maximise the interest from suppliers in delivering these works.

Local Contributions and DfT funding have been approved to deliver the FBC. The deliver of the FBC will produce detailed design drawings and construction costs for final approval from DfT and internal governance.

2. Policy

The provision of key enabling infrastructure and improvement of the transport network widely supports the Corporate Plan objectives and priorities most specifically within the priority of a Thriving and Sustainable Place. It also ties in with our Open and Enabling Organisation priority.

Such provisions also contribute to the following core strategy policies;

- CS1 Addressing climate change and carbon reduction
- CS2 Delivering sustainable design and construction
- CS10 Transportation and movement

- CS23 Bristol Airport

In addition, this scheme:

- Aligns to five MRN objectives set by the DfT
- Aligns with aims and objectives set out by Government in the economic, environment transport, planning and public health strategies
- Is prioritised for investment by the Western Gateway Sub-National Transport Body
- Supports the local strategies and policies of NSC and Somerset Council

3. Details

Background

In December 2017 the Government launched a consultation setting out proposals for the creation of a Major Road Network (MRN) to fund major road improvement schemes. The MRN forms a middle tier of the country's busiest and most economically important local authority classification 'A' roads sitting between the national Strategic Road Network (SRN) and the rest of the Local Road Network.

In December 2018 the Government announced the National Roads Fund comprising £28.8 billion between 2020 and 2025, £3.5 billion of which is expected to be spent on local roads. This announcement was supplemented with an MRN bid process for which eligible schemes could bid for funding.

As part of the above MRN bid process North Somerset Council (NSC) in partnership with Somerset Council (SC) submitted a Strategic Outline Business Case (SOBC) to the Department for Transport (DfT) in July 2019 for possible road improvements on the A38 MRN. From DfT's assessment the SOBC was approved to progress to the Outline Business Case (OBC) stage with funding from DfT and Section 106 confirmed and available for this next stage.

The OBC for the A38 MRN scheme was compiled with SC for joint submission to DfT in March 2022. The OBC follows the DfT's core business case process and is in the format of the Five Case Model, comprised of strategic, economic, commercial, financial and management cases. This centres around a proposed package of targeted improvements to the locations as listed immediately below on the A38 corridor, five of which are in North Somerset and the remainder in Somerset.

NSC targeted A38 improvements:

- Barrow Street junction safety scheme including improved bus accessibility to bus layby
- Barrow Lane / Hobbs Lane to Dial Lane active travel scheme providing cycle lane and improved pedestrian facilities together with road safety improvements,
- West Lane junction to Silver Zone roundabout improvements providing improved pedestrian and cycling facilities, with carriageway widening and provision of designed bus lane to reduce traffic congestion ensuring more reliable journey times for all users including public transport,
- Langford area active travel providing cycle lane and improved shared footway facilities, and
- Sidcot Lane to Hillyfields junction active travel providing cycle lane and improved shared pedestrian facilities.

SC targeted A38 improvements:

- Strawberry Line cycle and pedestrian crossing improvements at Shute Shelve (between Sidcot and Cross),
- Cross junction active travel and safety scheme,
- Rooks Bridge safety scheme, and
- Edithmead roundabout (M5 J22) traffic congestion relief supporting housing delivery.

The scheme objectives are to:

- Better connect local communities by Active Travel modes,
- Improve journey reliability times along the A38 corridor,
- Improve road safety for all travel modes,
- Provide environmental enhancements and reduce carbon generation from alleviating traffic congestion, and
- Support housing delivery and the regional economy with improved transport infrastructure around J22 of the M5 motorway (This objective only applies to SC).

To align with both Councils priorities and DfT MRN objectives, the various schemes proposed along the A38 have ensured that active travel, public transport, road safety and congestion alleviation with improved capacity would be secured through implementing the proposals detailed. The A38 MRN scheme has a strong base in providing active travel improvements and in improving journey reliability times on the A38. For each scheme element there are infrastructure improvements for cyclists, pedestrians and other non-motorised road users to better connect local communities. In removing pinch-points at certain locations on the A38, traffic congestion will be reduced benefiting all road users, including public transport generating more reliable journey times complementing the infrastructure improvements included for public transport.

The total scheme value in the OBC submitted in March 2022 was estimated at £25.2m covering the A38 scheme elements in both North Somerset and Somerset.

Following the submission of the OBC to DfT for approval in March 2022, in December 2022, while DfT were still considering OBC approval, they gave NSC & SC the opportunity to review the forecast costs for the scheme due to the impact of inflation. An analysis of the experienced and predicted inflation was carried out and concluded that the cost forecast had increased by £5.8m from £25.1m to £30.9m. This was approved in decision 22/23 DP423.

In January 2023, Bristol Airport were granted Planning Permission for the expansion of the airport. This confirmed the S106 funding for the Downside Road element of the A38 MRN scheme which is to be delivered by NSC. Within the S106 agreement, there is a requirement for Bristol Airport to have step-in-rights and have the option to deliver the Downside Road element should they wish at a later date. To accommodate this S106 clause, NSC works have been split out into 2 work packages. Work package B is just for Downside Road and Work Package A for the remaining schemes within North Somerset. This enables Bristol Airport to exercise their right to step in, should they wish while not compromising the delivery of the other A38 MRN scheme elements.

Funding allocation

The total cost of the scheme as calculated in December 2022 was £30.9m. This included delivering the Strategic Outline Business Case (SOBC), Outline Business Case (OBC), Final Business Case (FBC) and construction. If all business cases are approved, DfT has committed to funding 85% of the £30.9m. The remaining 15% of the total cost will be funded by Local Contributions shared between both Local Authorities. The share of Local

Contribution funding will be based upon the total cost of scheme elements within their authority area. This equates to an approximate percentage split of 65% and 35% respectively between NSC and SC.

The cost of FBC preparation will be 2/3rds financed by the DfT. This allocation will come out from the DfT's total scheme funding contribution of 85%. The remaining 1/3rd of FBC preparation cost will be financed by NSC and SC, coming from the total scheme cost Local Contributions of 15%. The split between Local Authorities will again be approximately 65% NSC and 35% SC.

If costs increase above £30.9m, DfT will not contribute to the overspend. This will have to be from additional Local Contributions.

Recent Activity

Due to the delay in DfT announcement for OBC approval, an opportunity was identified to resolve the business need to complete the Barrow Street Junction safety works. Following the award of BSIP funding, the BSIP team were able to improve on the MRN scope at Barrow Street and deliver the works within the BSIP budget.

In October 2023, the PM announced that money for HS2 was to be reallocated to projects across the country. This specifically mentioned the A38 MRN scheme in North Somerset. Later in October, it was also announced that schemes could have an uplift in funding from DfT.

In November 2023, NSC received a letter from DfT to say that NSC and SC were successful in their application for funding. NSC and SC have since raised a number of clarification questions to DfT.

Funding letter

The following provides a summary of key points within the DfT funding letter.

- Confirmation that DfT will provide a maximum funding contribution of £26.311 million towards the estimated total scheme cost of £30.955m, subject to conditions
- Funding will be made available for FBC development. Upon approval of the FBC, funding for construction will be released.
- NSC's MRN scheme could benefit from an uplift in government contribution of their costs based on the Outline Business Case stage.
- The scheme must be implemented in accordance with the scheme proposals as set out in your Outline Business Case
- Should the total estimated costs fall below £ 30.955m the Department's contribution will also reduce proportionately
- NSC will carry out an evaluation of the scheme

The following clarifications were made to DfT which include their response.

- The project is a joint project between NSC and SC, can the letter be amended and addressed to both NSC and SC?
 - In cases where there is more than one local authority, DfT expect one of them to take the lead and to be the grant recipient. We are unable to split grant awards to multiple authorities. To date NSC has been the leading authority and it is assumed this will continue unless otherwise stated.
- Is the NSC and SC A38 MRN scheme eligible for the uplift in DfT funding?

- DfT are considering whether NSC and SC will be granted an uplift in funding. The uplift (if confirmed) will be released upon approval of the FBC. The uplift could reimburse the local contribution for FBC costs and could replace the local contribution for construction costs, but details are to be decided.
- Can DfT advise on timescales re announcements of potential uplifts in funding?
 - DfT are not able to advise on timescales but are looking to get this out as soon as possible.
- Is there a new deadline for completing the works?
 - No, but DfT encourage the works to be completed as quickly as possible.
- Given the delay in announcing OBC approval, will DfT provide additional funding to cover the impact of inflation not currently accounted for in the £30.9m?
 - No, DfT will not be increasing their contribution for costs above £30.9m. At present DfT's contribution is 85% of £30.9m (£26.311m). This may increase up to £30.9m but not more.

Contract for Final Business Case Stage and Construction

The chosen procurement route for the A38 MRN scheme FBC development and construction will be a 2-stage Design & Build (D&B) contract. The detailed design will be an NEC4 Option A lump sum contract and construction will be an NEC4 Option C Target Cost contract. A break clause between Stage 1 and 2 is included, with instruction to proceed to Stage 2 subject to approval of the FBC by DfT.

Once NSC and SC accept the funding conditions outlined in DfT's letter received in November 23, the D&B procurement will be able to commence.

During the FBC preparation stage there will be further opportunity to refine the detail of the scheme elements to ensure they align with stakeholder priorities during the detailed design.

Next Steps

NSC are to assess the conditions of the letter and liaise with SC to confirm both authorities are in agreement with accepting DfT funding.

NSC are to confirm funding allocations for NSC's local contribution.

NSC will enter into an MOU with SC.

NSC will agree Terms of Reference with Bristol Airport.

NSC will seek approval to accept FBC funding in accordance with the financial regulations.

NSC to deliver the FBC.

FBC delivery

The OBC sets out a number of outcomes to be delivered in line with the scheme objectives. These are to be developed as part of the FBC. This includes developing alternative solutions to Barrow Street Junction to ensure outcomes and benefits identified in the OBC are still delivered.

Proposed programme

Activity	Programme
Submission of OBC	March 22

DfT funding announcement re OBC	November 23
NSC acceptance of funding	December 23
D&B procurement	January to May 23
Detailed design	May to December 24
FBC development	June to December 24
FBC submission	Winter 24/25
DfT approves FBC	Spring 25
Full Council approval of grant funding	Summer 25
Construction	Summer 25 to Summer 26

4. Consultation

An engagement exercise was undertaken as part of the scheme's OBC preparation, between April and August 2021 during which time internal and external stakeholders were briefed on the A38 MRN proposed scheme elements.

The following NSC stakeholders were included in that engagement exercise:

- Place Director and Directorate senior colleagues
- Executive Member for Assets & Capital Delivery
- Executive Member for Climate Emergency & Engagement
- Place Policy & Scrutiny Panel
- Ward Members captured in scheme areas
- MPs captured in scheme areas
- Parish Councils captured in scheme areas
- Parish Councils' Airport Association
- Internal Highways & Transport, Streets & Open Spaces and Planning & Heritage teams
- Residents and Businesses captured in scheme areas

The comments received from that engagement exercise have been considered as part of the scheme's ongoing design and planning. Public engagement will continue as part of the scheme's FBC development.

The Executive Member was briefed on 16th January 23 on the increases in Local Contribution funding due to inflationary pressures.

While NSC and SC have been waiting for DfT to approve the OBC, Cllr briefings have been ad hoc.

An Expression of Interest regarding the D&B contract was held in August 23 with contractors on the Gen4 Framework. 4 contractors expressed an interest to bid for both work packages with a further contractor expressing interest to bid for one of the work packages.

Bristol Airport and North Somerset have formed a working group with a focus on their S106 obligations, one of which relates to the delivery of the Downside Road junction works. The project team is in liaison with Bristol Airport and have circulated a draft Terms of Reference for comment, to ensure that S106 commitments and conditions are met. This will include details on provision of land to enable delivery of the scheme and payment schedules.

There has been and will continue to be on-going co-ordination with the BSIP and Banwell by-pass project teams. This is both in terms of highway network management as well as

lessons learned through contract management and resource allocation subject to the same supplier working different NSC projects.

5. Financial Implications

Costs

As of the OBC stage, the total costs for the scheme are currently forecast at £30.95m. This is split out as follows.

	NSC	SC	Total
FBC	£1,268,975	£787,899	£2,056,874
Construction	£18,208,319	£9,873,901	£28,082,220
Sub-Total	£19,477,294	£10,661,800	£30,139,094
SOBC	£815,000		
Total			£30,954,094

Note these costs currently include the cost to deliver Barrow Street junction which was delivered and funded by BSIP. It also excludes the impact of inflation due to the ~1 year delay in DfT approving the OBC.

Costs for all scheme elements will be updated throughout the development of the design, ensuring continued value for money in line with the schemes benefits and outcomes. Construction costs will feed into the FBC for DfT approval.

Funding

The current funding allocation for the whole scheme is as follows:

Source	Total
DfT	£26.311m
NSC	£3.111m
SC	£1.532m
Total	£30.954m

The current funding allocation for the FBC is as follows:

Source	Total
DfT	£1.37m
NSC	£0.46m
SC	£0.23m
Total	£2.06m

DfT's current funding allocation is confirmed through the OBC approval funding letter. This may increase subject to DfT decisions. Any change to funding allocation from DfT will be applied at FBC approval.

SC's funding allocation is to be secured through the agreement of the MOU.

NSC's contribution will be via Bristol Airports S106 contribution.

6. Legal Powers and Implications

An MOU between NSC and SC was in place for the delivery of the OBC stage. A similar MOU is currently being drafted for the delivery of the FBC stage. This will outline working arrangements and funding allocations.

NSC and SC will need to abide by the conditions of the funding letter by DfT. This letter is only up to completion of the FBC stage and does not commit to entering into the construction stage.

Upon completion of the D&B tender for both work packages, contract award decisions will be in accordance with NSC's Contract Standing Orders.

The works to deliver Downside Road will be tied into the Bristol Airports S106 agreement and as such will need to ensure that conditions are met, including planning requirements.

7. Climate Change and Environmental Implications

Reference to climate change and environmental impact the A38 MRN scheme improvements will focus on active travel provision, reducing traffic congestion, and improving journey reliability times. The scheme also includes improved bus infrastructure enabling better access to bus services and expanding travel choices.

To ensure that this scheme is compatible with NSC environmental priorities and other initiatives currently being undertaken the Sustainable Transport, Integrated Transport Unit and Bus Service Improvement Plan teams have been consulted throughout scheme development to ensure that the proposed targeted improvements along the A38 complement future plans. In addition, there has also been regular engagement and co-ordination with the Mass Transit and Banwell Bypass project teams ensuring that the MRN targeted improvements aligns and takes into account these other schemes and this co-ordinated schemes' approach will continue during the development of the A38 MRN scheme's detailed design and FBC.

A Members Task & Finish Group (T&FG) was established in December 2021 to provide feedback and following inputs on the A38 MRN scheme with particular focus on active travel, carbon reduction and biodiversity.

NSC aims to be carbon neutral by 2030, following declaration of a climate emergency in February 2019. All supply chain partners will play an active and key role in ensuring that NSC's ambition of carbon reduction and bio-diversity net gain is secured and achieved through this scheme. To align with the approach taken across NSC's major infrastructure projects the A38 MRN scheme's design and delivery shall align with PAS2080:2016 Carbon Management in Infrastructure principles.

8. Risk Management

Risk management throughout the delivery of the project will be carried out via number of different methods. A risk register has been established following a number of risk workshops with project team stakeholders. This will be updated following completion of a contractor being appointed. Risks will be a standing agenda item on the contractors monthly progress meetings with risk workshops regularly scheduled. Early Warning meetings will be held to ensure that risks are quickly identified and mitigated.

9. Equality Implications

Have you undertaken an Equality Impact Assessment? Yes

An initial screening exercise has been carried out to identify protected characteristics that the Equality Act 2010 requires to be considered in relation to the scheme's proposals. An Equality Impact Assessment has been undertaken as part of the scheme's OBC. This will be updated once further design details are confirmed, and prior to the scheme's FBC submission to DfT.

10. Corporate Implications

Accepting the funding conditions will commit NSC and SC to delivering the design stage (FBC). This is in support of a wide number of NSC, SC and government policies.

11. Options Considered

Do not accept funding to progress the A38 MRN scheme to FBC submission stage. – propose to reject

Should the DfT FBC grant funding not be accepted then this would jeopardise the opportunity to receive future DfT funding for much needed improvements along the A38 corridor. The current issues on the A38 in which this scheme aims to improve would remain to be addressed putting additional demand on existing NSC funding. Furthermore, non-acceptance of the DfT grant would also cause reputational damage with the DfT (and SC) as the DfT have provided funding to prepare the scheme's OBC and so could adversely affect future opportunities in working with the DfT on this funding stream and the ability to deliver such major road improvement schemes within NSC.

Author:

Jason Reading

Appendices:

None

Background Papers:

Director Decision 18/19 DE 410: Major Road Network (A38) - Outline Business Case.

Director Decision 19/20 DE 390: Major Road Network (A38) - Outline Business Case (OBC) Award of Contract.

Director Decision 19/20 DP 293: Major Road Network (A38) - Outline Business Case (OBC) Variation to Consultant Contract.

Executive Member Decision 21/22 DP 270: A38 Major Road Network Scheme Outline Business Case Submission and Local Contribution Funding.

Full Council approval on 9th November 2021 of the Commissioning Plan for the Design & Build Contract of the A38 Major Road Network (MRN) scheme and associated Professional Services.

Director Decision 21/22 DP 284: Contract Award for A38 Major Road Network (MRN) Procurement Support.

Executive Member Decision DP 22/23 95: Procurement Plan for Major Road Network (MRN) Design and Build Contractor.

Executive Member Decision DP 22/23 108: Procurement Plan for consultants to undertake the Full Business Case (FBC) for the A38 Major Road Network (MRN) scheme and act as Employer's Agent for the Design and Construction phases.

Executive Member Decision DP 22/23 423: Approval of NSC additional local contribution funding for the A38 MRN scheme due to inflationary cost increases