

Report of the Cabinet Member for Transport, Planning & Sustainability

## **Access York Park & Ride Funding Application**

### **Summary**

1. Phase 1 of the Access York project to enhance the Park & Ride network is critical for the future economic prosperity and environmental wellbeing of the city. The receipt of tenders for the main construction works is a key milestone in the delivery of the project. This report requests that Cabinet approves the submission of the Access York Full Approval application to the Department for Transport (DfT).
2. Tenders have been received which are within the overall project budget allocation but at a level which is not considered to provide an adequate contingency allowance. It is recommended that minor adjustments are made to the project and funding is increased to cover this issue. A maximum funding increase of up to £750k from the Economic Infrastructure Fund is recommended. Subject to final clarification of the tender values it is anticipated that it will be possible to reduce the proposed funding increase significantly.
3. The report also recommends that Cabinet approves the advance site clearance and utility work to ensure that the project progresses to programme.

### **Background**

4. The existing Park & Ride service has insufficient capacity to keep pace with York's buoyant and growing economy. The full Access York Phase 1 project involves:
  - the construction of 2 new Park & Ride sites at Askham Bar and A59 near Poppleton,
  - a major upgrade to the A59/A1237 Outer Ring Road roundabout,

- associated bus priority measures,
  - procurement of the Park & Ride operator.
5. The scheme has Programme Entry status in the DfT's Major Scheme programme which indicates that funds have been allocated to the scheme subject to Full Approval being granted.
  6. The current overall funding provision is indicated in the following table

<b>Funding Source</b>	<b>£k</b>
Total Local Contribution	6,605
DfT Contribution	15,317
<b>Total</b>	<b>21,922</b>

7. A variety of sources have been identified to contribute to the £6.6m local funding of the scheme including: Local Transport Plan, Land Sales, Land Value, Developer Contributions, Economic Infrastructure Fund and Prudential Borrowing. The proposed funding sources were approved by the Council prior to the submission of the Best and Final bid in September 2011 and are identified in the Council's current Capital Programme.
8. The receipt of tenders for the construction works is a key milestone in the delivery of the scheme and enables the Full Approval Application to be finalised and submitted to the DfT.
9. The necessary land has been purchased and the main sites have planning consent. The main construction works can commence immediately DfT funding is confirmed. Subject to Full Approval being received in March 2013 completion is programmed for April 2014.
10. This report identifies a number of key decisions which the Cabinet needs to make so that the project can progress to the required programme.

Submission of the Full Approval Application to the Department for Transport

11. Full Approval from the DfT is required before the contract for the works can be accepted and grants received. The Full Approval Application has to be made on the basis of tendered values to

confirm costs. The submission must be authorised by the s151 Officer for the Council confirming that the match funding is available. The submission document must identify any significant changes to the project (scope, benefits etc.) since the Best and Final Bid submission in September 2011.

12. It would be beneficial for budget management and programme delivery purposes if approval is received before the end of the 12/13 financial year. For the works to commence in March 2013 the full approval submission must be submitted by the end of January at the latest as the DfT need at least 6 weeks to respond.
13. The main works construction has been procured using the European Union restricted route with tenders issued on 17 October. Three tenders were received on 17 December.
14. The lowest tender received can be accommodated within the overall project budget but at a level which reduces the contingency allowance significantly. The increased cost relative to the estimate is principally due to a higher risk allowance being allocated by the Contractors for the ground conditions at the former landfill tip site at Askham Bar.
15. The cost estimates were prepared by the project's external design consultants - Halcrow. A suitable allocation for ground condition risk was considered to have been provided in the estimate but the contractors have assessed their commitments at a higher level. This is partially due to the contract conditions imposed to reduce the Council's liability with the contractors required to provide insurance and performance bonds. In addition the contract transfers risk for weather and elements of ground improvement settlement to the contractor.
16. The higher construction contract value would mean that the contingency allowance would reduce to an unacceptable level if the scheme progressed without amendment. There are a number of options for addressing this issue whilst maintaining a reasonable allowance for contingency.
17. The cost pressures could be accommodated by
  - varying the allowance for *other work* planned to be undertaken outside the scope of the main contract

- minor adjustments to the specification for elements of the overall project (*Value Engineering*)
  - minor *adjustments to the scope* of the overall project
  - reducing the nominal *contingency allowance*
  - increasing the *local funding contribution*
18. The elements included in the construction tender represent the main site works but there is an allocation of over £4.6m for *other work* items which are needed to deliver the overall project. These include Preparatory Costs (Detailed Design, Site Investigation etc.), Supervision, Utility Diversions, Land, Bus Priorities on A59, Accommodation Works etc. It is considered that the allocations for these areas could be reduced by approximately 5% without affecting the delivery of the project.
19. A number of *Value Engineering* exercises have already been undertaken during the development of the scheme to reduce costs. Further costs will be removed from the scheme by working with the main contractor during project delivery.
20. Significant changes to the scope of the work, which could remove the cost pressures, may affect the value for money assessment leading to the DfT reconsidering their provisional support for the scheme. Major scope variations are not therefore recommended. However minor *adjustments to the scope* of the project will be reviewed to reduce overall costs.
21. It is considered that the current *contingency allowance* for the project could be reduced by approximately 10% to cover the construction phase of the project. The original risk assessment included allowances for risks associated with planning, design, inflation etc. which have now been resolved. A contingency level of approximately 9% of the construction value is considered appropriate at this stage.
22. To minimise the risk of the DfT not accepting the Full Approval submission due to scope changes it is also considered prudent to increase the *local funding contribution*. The actual allocation required will be dependent on the extent of the costs savings achieved during the value engineering exercise however to give the necessary certainty to enable the Full Approval Application to be finalised it is proposed to increase the local contribution by £750k to maintain a reasonable contingency level.

23. Subject to approval by Cabinet the overall project cost in the Full Approval application to the DfT would increase to approx. £22.7m with a local contribution of £7.35m (increased from £6.605m).

#### Re-profile Capital Programme

24. The current Capital Programme profile will need to be varied to match the approval and delivery programme. There are two scenarios depending on when Full Approval is received:
- a. If Full Approval is received before April 2013 the DfT will fund an agreed proportion of the 12/13 costs incurred including any utility works.
  - b. If Full Approval is received after 1 April 2013 the 2012/13 Access York project spend will need to be funded from local resources in the short term (but the spend would become part of the overall local contribution following approval).
25. The current projected spend in 2012/13 is approximately £3m (assuming construction commences in March) compared to £4m originally anticipated – due to the later expected start on site. The DfT have indicated that they will want to maximise their contribution in 2012/13 if the scheme is approved, which will reduce the Council's costs in the year.
26. If approval is not received before the end of the year costs already incurred will need to be covered by bringing forward the proposed local contributions. However total expenditure in 2012/13 will reduce to approx. £2.5m as the main works would not have commenced in the year.
27. If funding approval was received in 2012/13 there would be a nominal impact on the currently allocated corporate resources. However if approval is not received until 2013/14 approx. £1.5m of additional Council resources would need to be brought forward to fund the expenditure in 2012/13. This assumes that approx. £750k of s106 contribution and LTP funding is available to fund the remaining in year expenditure.
28. To maintain a reasonable contingency allowance it is considered prudent to increase the available funding by £750k. The DfT contribution is capped therefore the local contribution will need to be altered to cover the increased funding requirement.

### Economic Infrastructure Fund

29. The Access York project is a critical element of the Council's objective to 'Get York Moving'. The project reduces congestion in the city centre and provides public transport options for residents and commuters reducing the constraints on economic activity and increasing the opportunities for growth. Based on the cost estimates the project was allocated £2.5m from the Economic Infrastructure Fund because of its importance to the future prosperity of the city.
30. To ensure that this critical project is delivered it is proposed to increase the funding allocation from the Economic Infrastructure Fund in 2013/14 by £750k. Subject to Full Approval this increased local contribution will release the £15.3m of infrastructure investment from the DfT enabling the additional Park & Ride and highway capacity to be delivered.
31. The revised EIF position as approved at Cabinet on 4th December 2012 shows the total value of commitments, including those schemes that are still subject to receipt of a satisfactory business case, as £12.121m against a total fund value of £28.5m over the 5 year fund period.
32. Approved Budget profile vs. Commitments are as follows:

	<b>Budget</b>	<b>Commitments</b>
<b>12/13</b>	£3.300m	£3.374m
<b>13/14</b>	£5.800m	£6.343m
<b>14/15</b>	£6.800m	£2.133m
<b>15/16</b>	£6.800m	£0.136m
<b>16/17</b>	£5.800m	£0.135m
<b>Total</b>	<b>£28.5m</b>	<b>£12.121m</b>

33. The position set out above does not take into account the proposed additional funding for the Access York project detailed above. Allocating an additional £750k in 13/14 the revised budget vs. commitments position would be:

13/14 - Budget £5.800m, Commitments £7.093m

34. It should be noted that funding may need to be brought forward to 12/13 depending upon the decision made by the DfT with regard to the release of funding for the project. Further changes may also be

required to the Capital Programme depending on the Contractor's detailed spend profile when confirmed.

35. The Director of CBSS will provide, as part of the capital monitor in February, a further review of the EIF profiled spend, as some areas will require a further update. This will consider the most recent information regarding planned expenditure, and this report will also consider if any formal amendment to the EIF profiled budget is required.

#### Acceptance of Tender

36. The tenders are currently being evaluated on a 70:30 Cost:Quality basis to determine the preferred bidder. The tenders have been assessed in sufficient detail to allow the DfT's Full Approval documentation to be completed. Further clarification of the tender prices will continue during the DfT evaluation period, prior to award.
37. It is proposed that authority is delegated to the Director of City and Environmental Services (in consultation with the Cabinet Member for Transport, Planning and Sustainability) to accept the Most Economically Advantageous Tender. The acceptance will be subject to the approval of the changes to the Capital Programme by Cabinet, satisfactory resolution of any clarification items with the tenderers and receipt of DfT Full Approval.

#### Commencement of advance site clearance

38. To prevent delays of up to 6 months to the delivery programme the clearance of vegetation from the site must be complete by mid – February to avoid the bird nesting season (Mid-February to End August).
39. It is anticipated that there is 3-4 weeks work to clear the sites of bushes/trees/hedges. Due to time constraints this will need to be undertaken before Full Approval is received from the DfT. However as the scope of the scheme has not changed significantly and the overall value for money is still considered to be good the level of uncertainty over the project progressing is significantly reduced.
40. The clearance of bushes and trees will have a significant visual impact on the area (particularly around the A59/A1237 roundabout). If full approval is not granted and alternative funding sources are not available landscaping can be reinstated in the area.

### Commencement of advance utility diversions

41. The works affect a number of utilities (BT, Gas, Water etc.) which will require diversion or protection. The total estimated cost of the diversions is approx. £850k. There would be significant benefit in undertaking the diversions in advance of the main works to prevent delays (and additional cost) to the main contractor and the Council. Owing to long lead in periods orders must be placed as early as possible to avoid disrupting the main works and to minimise the risk of claims for delay. Diversions will be integrated into the contractor's programme to minimise construction and traffic management costs where possible.
42. To receive the 18% Highway Authority discount under the New Roads and Street Works Act 1991 utility companies are paid 75% of the value of the works in advance prior to commencement of the detailed design and programming stages. Under the financial regulations approval by the Chief Finance Office is required for payment of this level of expenditure in advance of the works being undertaken.
43. To meet the desired completion date the utility works must be ordered in advance of the receipt of Full Approval from the DfT. Under the national agreement the council will pay for actual costs incurred with a standard discount attached for the highway works element. Therefore funds would be returned for works which had not been undertaken/started if the scheme had to be suspended. In the short term the works would need to be funded from Council resources if DfT funding was not available.
44. It is estimated that the costs of the advance works to be delivered before Full Approval by the DfT could be between £350k and £450k depending on when approval was received. The remaining works also need to be ordered immediately to enable detailed planning to commence and to reduce the risk of interface claims but could be cancelled if the project was suspended.

### Procurement of the Operator for the new service

45. An operator for the new A59 site needs to be identified at an early stage so that there is sufficient time to purchase vehicles. To enable a standardised Park & Ride service to be provided across the city and minimise claims for passenger abstraction a solution is currently being negotiated with the current Park & Ride operator. The procurement team have confirmed that a negotiated



procurement route is acceptable as an extension to the existing contract. If negotiations fail a separate tendered route for the A59 site will be pursued

46. The possibility of a bid to the green bus fund for the provision of electric vehicles for the A59 route is being investigated (bids must be submitted by 26 March 2013). A separate report will be submitted to the Cabinet Member for Transport, Planning and Sustainability identifying options for providing the service.

### **Consultation**

47. Considerable levels of consultation have already been undertaken on the scheme during the preparation of the planning applications and detailed design for the highway works. A detailed communication plan for the construction phase of the project will be developed with the successful contractor.

### **Council Plan Priorities**

48. Phase 1 of the Access York is critical to the future economic prosperity and environmental wellbeing of the city and assists in the delivery of the following Council Plan Priorities:

#### Get York Moving –

- Removes traffic from the city centre
- Increases capacity of the Outer Ring Road.
- Provides bus priority for Park & Ride and service bus routes to encourage transfer to sustainable transport.
- Improves access across Outer Ring Road by walking and cycling

#### Create jobs and grow the economy –

- Reduces impact of congestion on business
- Provides improved public transport options for staff and customers

#### Protect the Environment –

- Improves air quality in the city centre
- Reduces carbon emissions.

## **Implications**

### **Financial**

49. Owing to the higher estimated cost for the scheme and the need to include a reasonable level of contingency it is proposed to increase the local contribution by up to £750k. It is proposed to fund the additional contribution from the Economic Infrastructure Fund. Further work will be undertaken to reduce costs prior to the award of the main contract to minimise the council's funding commitment.
50. Subject to the approval of the Cabinet the proposed EIF funding will be allocated to the scheme. The necessary re-profiling of the Capital Programme will be confirmed in a future monitor report once the DfT decision is known and the contractor's spend profile is finalised.
51. Following the changes to the DfT processes it should be noted that the funding of any cost overruns will be the responsibility of the Council.

### **Human Resources (HR)**

52. The scheme will continue to be Project Managed by in-house staff. Supervision and Quantity Surveying services will be provided by external resources.

### **Equalities**

53. The work carried out will benefit everyone in the community, either because of the opportunity to use the new Park & Ride sites or because of the benefit of reduced congestion on the roads and improved air quality. Sites have been designed to incorporate measures to ensure good accessibility.

### **Legal**

54. The legal department and their advisors drafted the contract for the works to ensure that the Council's interests are protected.

### **Property**

55. The acquisition of the main sites was completed earlier in the year. Resolution of the land issues in the A59/A1237 area is being finalised. The existing Askham Bar site will become vacant as a result of the project and will be available for sale. The project will

increase the Council's property assets with the operator undertaking maintenance of the sites and buildings.

### **Risk Management**

56. The scheme has a detailed construction phase risk register which will be managed and monitored through the delivery of the project with the main contractor. The principal risks relate to ground conditions, traffic management, interface with neighbours, utility diversions etc. The contract has been developed to reduce the risk allocated to the council. Major project risk elements such as the acquisition of land and granting of planning consent have already been resolved.
57. The Council will need to fund any cost overruns on the project. The contract has been developed to allocate appropriate risk to the main contractor. Insurance, bonds and guarantees are required in the contract.

### **Recommendations**

58. It is recommended that Members approve the following items:
  - a. Submission of the Full Approval Application to the Department for Transport
  - b. An increase in the local contribution to the scheme of up to £750k from the Economic Infrastructure Fund and a re-profile of the Capital Programme where necessary
  - c. Commencement of advance site clearance
  - d. Commencement of advance utility diversions
  - e. Delegation of the acceptance of the Most Economically Advantageous Tender to the Director of City and Environmental Services in consultation with the Cabinet Member for Transport, Planning and Sustainability.

Reason: To enable the delivery of the Access York project to programme.

## Contact Details

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	<b>Report Approved</b>	✓	<b>Date</b> 28 December 2012
<b>Specialist Implications Officer(s)</b> Finance: Patrick Looker Finance Manager City Strategy			
<b>Wards Affected:</b> List wards or tick box to indicate all	<b>All</b>	✓	

**For further information please contact the author of the report**

### Background Papers:

- (1) Access York Phase 1 Park & Ride Development – Update Report Following Programme Entry – to the Executive 13 April 2010.
- (2) Update Report to City Strategy Decision Session – 1 Feb 2011
- (3) Access York Park & Ride Funding Bid – Report to 6 September 2011 Cabinet

### Annexes

None