	A Item REPORT TO CABINET TO BE HELD ON 16 OCTOBER 2018
	Key Decision YES Forward Plan Ref No 2
Corporate Priority People Place Prosperity Council	Cabinet Portfolio Holder Cllr D Bastiman

REPORT OF THE DIRECTOR (RB) –18/200

**WARDS AFFECTED: SCARBOROUGH AND SURROUNDING
WARDS**

**SUBJECT: WORKS TO FOUR CRITICAL JUNCTIONS IN
SCARBOROUGH: BUSINESS CASE TO ACCESS
LOCAL ENTERPRISE PARTNERSHIP FUNDING**

RECOMMENDATION (S):

- (i) Cabinet is recommended to:
 1. Approve that the joint Business Case for mitigation work at the four identified critical junctions as prepared between Scarborough Borough Council and North Yorkshire County Council (NYCC) is submitted to the Local Enterprise Partnership for consideration;
 2. Subject to (ii) below and the bid to the Local Enterprise Partnership being successful, delegate authority to the Director (RB) to accept the grant funding for the scheme and enter into a funding agreement with the Local Enterprise Partnership and NYCC; and
 3. Approve that the Council enters into a Service Level Agreement with NYCC so that the project is undertaken by NYCC (and its contractors) with measures to deal with construction cost over-run as set out in this report.

(ii) Cabinet to recommend that Council:

1. Approve a contribution of £150,000 towards improving the four critical junctions in Scarborough (£3.875m), funded from the Council's Capital Investment Strategy, matching the financial committed made by NYCC.
2. Members note that whilst a significant contingency is included within the total cost of this scheme, the Council remains at risk for 50% of any overspend up to a total scheme cost of £4.075m (a maximum further contribution of £100,000). Any overspends will be reported to Cabinet and initially funded from the Capital Contingency Reserve.

REASON FOR RECOMMENDATION (S):

Planning decisions, both in terms of applications and allocations within the newly adopted Local Plan mean that Scarborough is likely to experience significant levels of growth in housing and the economy. To further facilitate this there is an opportunity to generate external funding (via the Local Economic Partnership) to deliver targeted infrastructure improvements to mitigate potential capacity issues on 4 no. junctions that are located in central Scarborough. Without mitigation either:

- a) the capacity of the identified junctions will be surpassed and the experience of the road user will be adversely affected with higher levels of queueing and congestion. There could be a subsequent knock on to local business and their continued viability to remain in the town and a negative impact on encouraging inwards investment; or
- b) objections to planning proposals will be received from the Local Highway Authority which could prevent/delay further development of housing and other forms of development from proceeding on highways capacity grounds, putting pressure of the Highway Authority to bring forward and fund improvements itself.

HIGHLIGHTED RISKS:

A risk register is attached at Appendix 1 to this report.

If the business case is not submitted to LEP the identified risks include:

- 1) the loss of potentially more than £3.5m of funding from the LEP for junctions improvements across Scarborough and; either
- 2) increased congestion problems on identified junctions as growth continues in Scarborough; or
- 3) growth is restricted with objections from Highway Authority on planning applications that are deemed to have an impact on the capacity of the identified junctions, resulting in housing delivery targets being missed and potential pressure to release other sites currently outside the Local Plan.

The loss of this investment in the local infrastructure would also potentially indirectly affect local businesses' ability to develop in the area and would dissuade inwards investment and the locating of new businesses in the town.

If the bid for funding is supported and said bid is successful, as with any funding bid there is a subsequent risk of project over-spend which would have to be addressed jointly by North Yorkshire County Council and Scarborough Borough Council and as set out in this report.

1. INTRODUCTION

- 1.1 The Scarborough Borough Local Plan was adopted in July 2017. This put forward the ambition for significant levels of growth across the Borough, but more specifically within the Scarborough Urban Area, with significant expansion to the south of Scarborough (Middle Deepdale and south of Cayton; circa 5000 homes) and north of Scalby (circa 1200 homes remaining to be built). This is in addition to other smaller sites proposed around the town centre area including the redevelopment of Yorkshire Coast College, housing off Lady Edith's Avenue and a number of 'windfall' sites.
- 1.2 In addition to housing the town has seen significant investment with the recent opening of the UTC, University Campus, Sports Centre and Football Ground, Lidl (Seamer Road) and the continued growth around North Bay with the Water Park, proposed Premier Inn Hotel and increased season of events at the Open Air Theatre.
- 1.3 This growth is set to continue with further developments in the pipeline all intended to improve the local economy both for residents and to increase the tourism and leisure offer for visitors. This includes plans for a multi-screen cinema, retail and visitor accommodation at North Bay and the redevelopment of the Futurist site on the south side.
- 1.4 All of these developments will have an impact on the local infrastructure, specifically roads and junctions.

- 1.5 This report will set out the findings of work to date on how future growth in road users can be addressed, the timescales for carrying out the proposed mitigation works and the funding arrangements.

2. CORPORATE OBJECTIVES

- 2.1 The bid for funding and subsequent improvement of the junctions meets with the vision and aims of the Corporate Plan. Improving the local road infrastructure will assist in the vision of '**a prosperous Borough, with high quality of life for all**'. It will also assist in the aim of prosperity as the local economy will directly benefit from the more efficient movement of traffic across the town.

3. BACKGROUND AND ISSUES

- 3.1 The issues for Members consideration is the submission of the Business Case to the Local Enterprise Partnership to assist in delivering circa £3.8m of investment in the local highways network. This risk of not submitting the Business Case and delivering this project must be balanced against the risk of project over-spend and the impact that would have on the budget of Scarborough Borough Council and, indirectly, North Yorkshire County Council.

4. ASSESSMENT

- 4.1 This section will set out the scheme, its history, the proposed mitigation (which is subject to further amendment), the submission of the business case, the financing of the scheme and project delivery.

The Scheme and its History

- 4.2 The need for the infrastructure investment was first identified through the evidence preparation for the Local Plan. As part of preparing the Local Plan substantial evidence was required on a number of matters, one being the impact on the local and strategic highway network. Through consultation with the Local Highway Team (NYCC) and their consultants a number of junctions were assessed across the Borough. A number of these junctions were identified as being at or approaching capacity, which if left unchecked, would result in either significant delay on the local highway network or even the refusal of future planning applications deemed to further impinge on the junctions. Initially six junctions were identified; two of which have either been already addressed or are planned to be. These two junctions are the one adjacent to B&M on Seamer Road / Queen Margaret's Road and the junction outside of Peasholm Park between Burniston Road and Northstead Manor Drive. Improvements to the latter have been identified and, if required, will be delivered through the future cinema or related North Bay developments.
- 4.3 This left four remaining junctions that were considered to be a potential barrier when considering future growth. These were set out in the Local Plan under the Transport and Infrastructure section and include:

- Scalby Road / Falsgrave Road;
- Stepney Road / Stepney Drive;
- Scalby Road / Manor Road; and
- Scalby Road / Stepney Drive.

4.4 Appendix 2 shows a plan of the location of these junctions.

4.5 The Local Highway Team did not object to the Local Plan on the basis that preliminary solutions had been identified for the junctions and options for delivery were put forward. These options included the funding of schemes from specific housing proposals, collective section 106 funding, the introduction of a Community Infrastructure Levy or other tariff or through other forms of external funding.

4.6 At the time of the Local Plan being progressed, the Borough Council was working jointly with the County Council on a proposed bid for LEP funding (Local Growth Fund) with positive soundings from LEP representatives. This scheme was identified as being important in the delivery of economic and housing growth in the Borough which LEP funding would help remove any barriers and potentially speed up delivery. In principle funding was agreed and the project progressed to the next phase; the submission of a formal Business Case for final approval from the LEP Board.

Proposed Mitigation

4.7 The mitigation proposed for the junctions has evolved over time but currently involves the following works (these are in the process of being finalised by WSP – NYCC’s consultant):

- Scalby Road / Falsgrave Road: Signalisation and some road widening;
- Stepney Road / Stepney Drive: Widened Roundabout with widened lanes at entry points;
- Scalby Road / Manor Road: Modified Roundabout and widened lanes at entry;
- Scalby Road / Stepney Drive: Signalisation and Lane Alterations. This proposal now incorporates wider improvements including the junctions adjacent to Woodlands Drive and Hovingham Drive to ensure this part of the highway works in conjunction through all junctions.

Project Delivery

4.8 The project will be delivered on a phased basis to respect the importance of the various tourist seasons in Scarborough. Subject to a successful approval by the LEP Board the current timetable is to deliver a junction improvement in Spring 2019, Autumn 2019, Spring 2020 and the final one in Autumn 2020. There is no agreed schedule for the order in which the junction improvements will be delivered though it is expected that due to the time constraints the simpler of the projects will likely be delivered first. This would suggest that the

Scalby Road / Manor Road junction may see improvements first but that is not confirmed as yet.

The Business Case and Financing the Project

- 4.9 The Business Case has been prepared jointly between the Borough Council and NYCC reflecting their respective roles with the Borough Council setting out the benefits to the scheme in terms of growth and NYCC dealing with the more technical aspects of delivering road improvements.
- 4.10 The Business Case is due to be considered by the LEP Board in December 2018 and a delayed submission has been agreed for October. The normal consideration period is 3 months by the LEP but due to the extensive work currently being carried out a reduced period has been agreed in this instance.
- 4.11 The submission seeks to secure funding of circa £3.5m towards the identified junction improvements. To facilitate this, the LEP has required some match funding from the Council and NYCC. In addition to a small amount of unrecoverable upfront investment both Councils have agreed, in principle, to invest the sum of £150,000 to enable this bid to proceed. The remainder of the local contribution will be provided by NYCC through secured section 106 funding totalling £75k. The funding arrangements for the scheme are therefore as follows:

Contributing agent	Amount (£)
YNYER LEP (subject to approved business case)	£3,500,000
NYCC	£150,000
SBC	£150,000
Developer contributions	£75,000
TOTAL	£3,875,000

- 4.12 The 2018 Financial Strategy, presented to Members in March 2018, outlined that the Council's share of retained business rates in 2018/19 was projected to be £1.356m higher than the business rates baseline. £770k of the additional funding had been committed to balance the revenue budget and some of the excess would be required to establish contingency sums for future appeal provisions. The Strategy outlined that any surplus in excess of this would be earmarked for the Capital Investment Strategy.

- 4.13 To enable this project to proceed, it is recommended that £150k of this funding be allocated for this scheme.

Risk

- 4.14 As with all projects there is an element of risk. The report has already set out the risk of the project not proceeding in terms of the potential impact on congestion through the spine of the town, the negative impact on the local

economy and the ability to attract inward investment. However, this section will set out the risks associated with taking the project forward.

- 4.15 The main risk with this, as with all projects, especially those involving works to the local highway is that of the project running over budget. Highways schemes are amongst the most difficult to accurately predict costings due to the uncertainties related to 'what is under the ground'. Whilst the mitigation works are being designed in light of all available evidence and plans of underground pipework and cabling, until such time the works are commenced and a 'spade is in the ground' there is always the risk of discovering undocumented equipment from statutory undertakers. These can push up costs and delay completion.
- 4.16 This is the specific reason that highway schemes factor in some of the highest levels of contingency. It is standard practice for highway schemes to include what is termed as optimism bias to ensure schemes have the best opportunity to stay within budget. For these schemes an additional 44% optimism bias has already been factored in to the £3.875m scheme costs (and the subsequent bid for Local Growth Fund).
- 4.17 This is as much as can be done to de-risk the likelihood of project over-spend but such an eventuality cannot be wholly ruled out. It is therefore important to set out what level of risk the authorities should accept and potential methods for how any over-spend could be financed.
- 4.18 Officers have held discussions with NYCC to limit the Council's financial exposure to any overspends on this project, whilst maintaining the partnership approach to 50:50 funding.
- 4.19 NYCC are receptive to limiting the any further Council contribution to a maximum of £100k being 50% of any project overspend up to a total cost of £4.075m. Any overspend above £4,075m will be funded by NYCC.
- 4.20 Members should be mindful that no budget provision has been made for any overspend contribution above the total scheme cost of £3.875m (as a significant contingency is already included in the scheme cost). However, should a further contribution be required then this will be funded from the Council's Capital Contingency Reserve and reported to Cabinet. Officers will examine options to mitigate any further financial commitments on the Council through developer contributions.

5. IMPLICATIONS

a) Policy

- 5.1 There are no policy implications as a result of this report.

b) Legal

- 5.2 If the bid is successful, to accept the grant funding the Council will enter into a grant funding agreement with the LEP and NYCC. This reports seeks

approval to delegate authority to the Director (RB) to enter into the funding agreement with the LEP and NYCC to enable the scheme to proceed.

- 5.3 The Council will also be entering into Service Level Agreement with North Yorkshire County Council so that the project is undertaken by North Yorkshire County Council (and its contractors) with measures to deal with construction cost over-run as set out in this report.

c) Financial

- 5.4 The financial implications are outlined in the body of the report.

d) Staffing

- 5.5 There are no ongoing staffing implications other than representation of Borough Council staff on the project group.

e) Planning

- 5.6 As the works involved are within the Highway and for Highways works any planning will be dealt with by North Yorkshire County Council.

f) Crime and Disorder

- 5.7 There are not considered to be any implications in respect of crime and disorder.

g) Health and Safety

- 5.8 There are not considered to be any implications in respect of health and safety.

h) Environmental

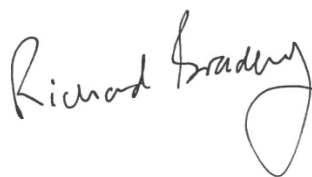
- 5.9 There are not considered to be any implications in respect of environment.

i) Communications (use of social media, consultation etc)

- 5.10 Consultation on junction mitigation options will be carried out by North Yorkshire County Council.

6. ACTION PLAN

- 6.1 The following indicative timescale is proposed:
- | | |
|---|---------------------------------|
| Report to Cabinet: | October 2018 |
| Submission of Business Case to LEP: | October 2018 |
| Report to Council | November 2018 |
| Decision by LEP Board | December 2018 |
| Subject to Approval mitigation works to junctions | Spring 2019 through Autumn 2020 |



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Background Papers:

Background papers applicable to this report are available on the council's website.
IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY
OF THE BACKGROUND PAPERS, PLEASE CONTACT STEVE WILSON
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APPENDIX 1

RISK MATRIX

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/Responsible Officer	Action Plan
1	13/9/18	the loss of potentially more than £3.5m of funding from the LEP for junctions improvements across Scarborough	<p>The junctions improvements are not delivered and one of two outcomes is likely:</p> <p>1) increased congestion problems on identified junctions as growth continues in Scarborough; or</p> <p>2) growth is restricted with objections from Highway Authority on planning applications that are deemed to have an impact on the capacity of the identified junctions, resulting in housing delivery targets being missed and potential pressure to release other sites currently outside the Local Plan.</p> <p>The loss of this</p>	Agree the submission of the Business Case and the contribution towards the bid.	C4	B2	Mr D Walker / Mr S Wilson	

			investment in the local infrastructure would also potentially indirectly affect local businesses' ability to develop in the area and would dissuade inwards investment and the locating of new businesses in the town.					
2	13/9/18	Risk of project over-spend	Potential impact on Borough Council finances	<p>Close monitoring of the project by NYCC/SBC.</p> <p>Entry into Service Level Agreement with NYCC and agreement on SBC maximum contribution towards the project.</p> <p>If the project appears likely to incur costs over SBC's initial contribution of £150k then report back to Cabinet.</p>	B4	B2	Mr D Walker/ Mr S Wilson	

Glossary of Terms

Risk	An event which may prevent the Council achieving its objectives
Consequences	The outcome if the risk materialised
Mitigation	The processes and procedures that are in place to reduce the risk
Current Risk Score	The likelihood and impact score with the current mitigation measures in place
Corporate Objectives	An assessment of the Corporate Objectives that are affected by the risk identified.
Target Risk Score	The likelihood and impact score that the Council is aiming to achieve
Service Unit Manager	The Service Unit or Officer responsible for managing the risk
Action Plan	The proposed actions to be implemented in order to reduce the risk to the target score

Risk Scoring

Impact	5	[Hatched]				
	4	[Hatched]	[Hatched]	[Hatched]	[Hatched]	[Hatched]
	3	[Hatched]	[Hatched]	[Hatched]	[Hatched]	[Hatched]
	2	[Hatched]	[Hatched]	[Hatched]	[Hatched]	[Hatched]
	1	[Hatched]	[Hatched]	[Hatched]	[Hatched]	[Hatched]
		A	B	C	D	E
	Likelihood					

Likelihood:

- A = Very Low
- B = Not Likely
- C = Likely
- D = Very Likely
- E = Almost Certain

Impact

- 1 = Low
- 2 = Minor
- 3 = Medium
- 4 = Major
- 5 = Disaster