

Report of Report of the Director of City Development

Report to Executive Board

Date: 11 April 2012

Subject: A58M Leeds Inner Ring Essential Maintenance Scheme

**Capital Scheme Numbers :- 16443/000/000 Lovell Park Bridge.
16444/000/000 Woodhouse Tunnel.**

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): City & Hunslet, Hyde Park & Woodhouse, Burmantofts & Richmond Hill		
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:		
Appendix number:		

Summary of main issues

1. Approval has now been obtained from the Department for Transport (DfT) to the bid submitted by the Council in September 2011 for funding to support essential maintenance to 3 of the key structures on the Leeds Inner Ring Road. The funding from the DfT will be up to a maximum of £16.344 million.
2. Agreement has been reached between the Council, Leeds Teaching Hospital Trust and the University of Leeds in respect of the liability of costs for repair of the Woodhouse Tunnel under the terms of a longstanding lease.
3. This report provides an update on progress of the scheme and seeks approval from the Executive Board to progress the next stages towards completing all of the proposed work.

Recommendations

4. The Executive Board is recommended to:
 - Note the update provided in this report outlining progress on the planned Major Maintenance Scheme for Leeds Inner Ring Road Structures, including obtaining DfT approval to the scheme

- Authorise expenditure of £2.046 million to implement work to Lovell Park Bridge
- Authorise entering into an Early Contractor Involvement (ECI) contract for Woodhouse Tunnel and to incur external costs of £0.4 million on contractors/consultants costs for stage 1 of this contract
- Note that a further report will be submitted to the Executive Board early in 2013 seeking authority to progress to the second stage of the ECI contract, that being the construction works

1 Purpose of this report

- 1.1 The purpose of this report is to:
- 1.2 Provide an update to Members on progress of the planned Major Maintenance Scheme on Leeds Inner Ring Road Structures.
- 1.3 Seek authority to incur expenditure on the implementation of works to Lovell Park Bridge and to incur expenditure on contractors/consultants costs for the first stage (the design and development stage) of an Early Contractor Involvement (ECI) contract for the Woodhouse Tunnel.
- 1.4 To advise Members that a further report will be submitted early in 2013 seeking authority to progress to the second stage (the construction stage) of the ECI contract for the tunnel and to incur costs on the implementation of these works

2 Background information

- 2.1 On 7 September 2011 a report to Executive Board was approved which endorsed the submission of a 'Best and Final Bid' to the Secretary of State for Transport seeking funding support for a scheme to undertake essential maintenance work to 3 of the key highway structures on the Inner Ring Road. The 3 structures being New York Road Flyover, Lovell Park Bridge and Woodhouse Tunnel. The overall value of the combined package of works was approximately £24.96 million of which £18.51 million was sought from Department for Transport (DfT).
- 2.2 In December 2011 the Secretary of State confirmed that the scheme was one of the bids supported from the national pool of competing schemes and as such moved into the 'Programme Entry' status, this being the penultimate stage in the DfT's approval process prior to the final stage of 'Full Approval' to funding. However, in the case of this scheme, the DfT approval was subject to the condition that the final financial contribution was subject to the successful conclusion of an agreement for funding the repairs to the tunnel between the Council, Leeds Teaching Hospitals Trust and the University of Leeds.
- 2.3 In the previous report to Executive Board, Members attention was drawn to the unearthing of a longstanding lease between the Council and the University of Leeds relating to the tunnel. Over the course of time, the University has assigned part of the lease to what is now the Leeds Teaching Hospitals Trust. The key points of the lease are that for a period of 125 years (from 1969) the Trust and the University could occupy the area of land above the tunnel for a nominal rent but carried the liability for the cost of structural repairs to the tunnel. The existence of this lease was also drawn to the attention of the DfT within the bid, hence the comment on conditional approval.

3 Main issues

- 3.1 Woodhouse Tunnel
- 3.2 The 1969 lease places the liability for reimbursing the Council with costs incurred in repairing the structure of the tunnel with the Hospital Trust and the University.

The scheme submitted by the Council in the bid to the DfT included both repairs to the structure together with strengthening to bring it up to more current standards for vehicle impact loading. In order to satisfy the DfT that the Hospital Trust's and University's liability is properly reflected in the funding of the work the Council, Hospital Trust and University have reached agreement on what constitutes a reasonable proportion of the costs associated with the repairs as a proportion of the overall scheme costs. This has been complicated by the fact that the repair work is integral to the strengthening work so the true relative costs will never be known and can only be estimated by a technical assessment to proportion the costs.

- 3.3 Agreement has been reached between the 3 parties that based on current day prices and an estimated cost for the overall tunnel project of £18.31million, the cost of repairs is £2.278 million. As the Hospital Trust and the University are paying this money in advance (in March 2012) of the work being carried out in 2013/14-2014/15, discounting of the sum payable in accordance with normal Treasury discounting procedures is applied which makes the sum payable to the Council £2.166 million. The Hospital Trust and the University have agreed that this overall payment will be split between them 50/50 with the Hospital Trust's contribution is being covered by the Department of Health (DoH). The DoH's involvement has been the critical factor in this agreement being reached in advance of the work being carried out as there is only funding available to meet these costs in the financial year ending 31st March 2012.
- 3.4 The proposed scheme submitted in the bid to the DfT is expected to have a life of 15 years before further repair work to the tunnel is likely to be required, this being the normal life expectancy of concrete repairs carried out in this type of environment. In order to reflect that the Hospital Trust and the University are paying for their liability for repairs in advance, the agreement between the 3 parties is formalised through a Deed of Variation to the lease which removes the liability for the cost of repairs under the lease from the Hospital Trust and University for a period of 15 years in recognition of the advance payment of £2.166 million.
- 3.5 The Hospital Trust and University have been keen to explore the advance "buy out" of their liability under the lease extending for more than 15 years as this would give them greater certainty around long term financial and strategic planning, given that the lease still has a further 82 years to run. The Council has worked with them to consider this option further and it has been concluded through technical analysis that there is a reasonable basis on which to extend the liability buy out for a further 15 years i.e. 30 years in total. For the period beyond 30 years however, the confidence in which all of the factors affecting the condition of the tunnel becomes too unpredictable and therefore the risk associated with agreeing an advance buy out of the liability becomes too great. The 3 parties have agreed that the appropriate sum to buy out a further 15 year liability, at today's prices is £3.683 million. Discounted for payment in advance this equates to £1.851million.
- 3.6 In summary, the agreement reached between the 3 parties through a Deed of Variation to the lease, provides that for a total payment of £4.017 million made to the Council by the Hospital Trust and the University on a 50/50 split (with the

Hospitals Trust contribution actually being paid by the DoH), the Hospital Trust and University are relieved of their liability to reimburse the costs of repairs to the tunnel structure until 31st March 2042.

- 3.7 Following the agreement outlined above, the DfT has now confirmed in writing the removal of the exceptional condition placed on its previous approval and confirmed 'Programme Entry' status for the overall Inner Ring Road Scheme and a contribution of up to a maximum of £16.344 million of DfT funding towards the scheme. The 3 packages of work can now be progressed through the final technical, legal and procurement stages to obtain 'Full Approval' status from the DfT and the release of funding.
- 3.8 Programme and Works
- 3.9 Having now reached agreement with the Hospital Trust and University over the tunnel and having received DfT approval to the overall scheme, progress can now be made towards implementing the works.
- 3.10 Undertaking any substantial maintenance work on the Inner Ring Road structures will inevitably result in some disruption to traffic and if not planned and controlled effectively, will result in severe disruption across large parts of the city. As such, the restrictions on how and when work is carried out and the overall programming of potentially conflicting work on the highway network is critical to the successful delivery of the works and to the general running of the city. In addition to the normal constraints that would need to be considered when carrying out works of this nature, there is also the need to ensure the works can be delivered during the period of available DfT funding that being up to 2014/15 and also a need to ensure that the work to Lovell Park Bridge is complete and cleared prior to the opening of the nearby Leeds Arena. The detailed programming of each of the 3 packages of work will take account of potential conflicts with major events taking place in the city and the programme for key developments such as the Trinity Development and Leeds Arena. The early appointment of a contractor for the tunnel will assist in co-ordinating the works with events taking place at the Arena.
- 3.11 In order to meet the programme, the New York Road Flyover is the first package of works being delivered. This is planned to commence on site in May 2012 and to be completed by August 2012 which will enable the second package of work, Lovell Park Bridge, to commence late in June 2012 and to be completed in March 2013 prior to the opening of the Arena. The third and largest element of the scheme, the tunnel, will start in Spring 2013 but with work largely being restricted to weekends completion may not be until autumn 2014.
- 3.12 To facilitate this tight programme authority to spend on the New York Road Flyover works has already been granted by the Chief Officer (Highways & Transportation) as part of the approval of the Annual Bridgeworks Programme in accordance with the Council's Financial Procedure Rules relating to Category B Capital Schemes. Tenders have been received and are within the budget provision for this element of the works. Authority to spend on the Lovell Park Bridge works is sought as part of this report.

- 3.13 The tunnel works are not due to start until April 2013 and are of a scale (approximately £18.31m) that lends itself to an Early Contractor Involvement (ECI) form of procurement. The ECI model has proved successful on recent major engineering projects. Using ECI, Leeds Inner Ring Road Stage 7 was delivered substantially under budget and within programme and a similar contract is currently in use on the A65 Quality Bus Initiative scheme which is again looking very likely to be delivered under budget and to programme. ECI contracts engage a contractor at an earlier stage than traditional contracts which has the advantage of involving the contractor in the design and development of the scheme allowing greater opportunity to explore opportunities for value engineering, more opportunity to consider buildability and programming of the works, and ultimately greater certainty of final costs. The ECI contract will be in 2 stages. The first stage being to appoint a contractor to work with the design team to develop the detail design, programme and Target Cost. The second stage is the construction stage. This report seeks authority to enter an ECI contact and incur expenditure on the contractors initial costs for assisting in the design stage. The first stage of the contract will also need to include a design check carried out by a team independent of the primary design team, this being a statutory requirement for this category of project. A further report will be submitted to the Executive Board at the end of stage 1 to seek authority to progress to the construction stage.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 A widespread consultation exercise has been undertaken as part of the bid made to DfT. Given that the work involves repairs and maintenance of existing highway structures it is generating little feedback from members of the public. However, there has been overwhelming support expressed by the commercial sector in the city recognising the crucial role the Inner Ring Road plays in supporting the economy. The full bid including all supporting information has been available on the Council's website since September 2011.
- 4.1.2 More specific local area consultation will be carried out for each of the discrete elements of work.
- 4.1.3 Detailed consultation will take place with the Leeds Arena Operator to ensure that the works programme makes appropriate provision for events at the Arena.

4.2 Equality and Diversity/Cohesion and Integration

- 4.2.1 An equality, diversity, cohesion and integration screening has been completed and published to cover all Bridge Maintenance undertaken by the Bridges Section in conjunction with the annual capital programme report. In addition, a screening document has been produced and published specifically in relation to this scheme entitled 'A58 Leeds Inner Ring Road Highway Structures Essential Maintenance Scheme' (published as 'Proposed Works on Lovell Park Bridge'). These screenings indicate that a full EDCI Impact Assessment is not required. A further screening is planned for the tunnel element of the scheme as proposals for the works are developed later this year.

4.3 Council policies and City Priorities

- 4.3.1 An equality, diversity, cohesion and integration screening has been completed and published to cover all Bridge Maintenance undertaken by the Bridges Section in conjunction with the annual capital programme report. In addition, a screening document has been produced and published specifically in relation to this scheme entitled 'A58 Leeds Inner Ring Road Highway Structures Essential Maintenance Scheme' (published as 'Proposed Works on Lovell Park Bridge'). These screenings indicate that a full EDCI Impact Assessment is not required. A further screening is planned for the tunnel element of the scheme as proposals for the works are developed later this year.

4.4 Resources and value for money

- 4.4.1 On the 22nd February 2012 Full Council injected the A58 Leeds Inner Ring Road Essential Maintenance Scheme into the capital programme. The initial funding injected was based on the best and final bid submitted on the 8th September to DfT. Subsequent to this bid, agreement has been reached with the University and Hospital Trust as set out in 3.3 above which will allow us third party contributions of £2.166m into the programme but will also reduce the DfT grant by £2.166m to £16.344m. A letter from the DfT confirming this arrangement was received by LCC on the 29th February 2012.
- 4.4.2 The total current funding within the programme is £23.86m which is made up of £16.344m government grant from the DfT, £2.166m of contributions from third parties, Local Transport Plan (LTP) grant of £2.35m and a local contribution of £3m.
- 4.4.3 Further LTP contributions of £1.1m have still to be injected into the programme to complete the £24.96m funding package needed and this will be dealt with within the future report which will be brought to Executive Board early 2013.
- 4.4.4 The authority to spend requests within this report for the full Lovell Park Bridge element of the scheme 16443/000/000 at £2.046m and the initial £400k of external costs for the design stage for Woodhouse Tunnel scheme 16444/000/000 will be funded through a mixture of LTP funding and third party contributions.
- 4.4.5 Authority to incur expenditure of £800k on the New York Road Flyover category B scheme 16445/000/000 was approved by Chief Officer (Highways and Transportation) on March 6th.

4.4.6 Capital Funding and Cash Flow.

Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2011 £000's	FORECAST					
			2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015 on £000's	
LAND (1)	0.0							
CONSTRUCTION (3)	1791.0		127.0	1645.0	19.0			
FURN & EQPT (5)	0.0							
DESIGN FEES (6)	655.0		346.5	308.5				
OTHER COSTS (7)	0.0							
TOTALS	2446.0	0.0	473.5	1953.5	19.0	0.0	0.0	0.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2011 £000's	FORECAST					
			2011/12 £000's	2012/13 £000's	2013/14 £000's	2014/15 £000's	2015 on £000's	
LTP 2011/12 allocation	473.5		473.5	0.0				
LTP 2012/13 allocation	0.0			0.0				
Private sector contributions	1972.5			1953.5	19.0			
Total Funding	2446.0	0.0	473.5	1953.5	19.0	0.0	0.0	0.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

There are no additional implications on the Directorate's revenue budget for 12/13.

16443/000/000 Lovell Park Bridge. £2,046,000
16444/000/000 Woodhouse Tunnel. £400,000

4.5 Legal Implications, Access to Information and Call In

4.5.1 Other than the normal statutory processes involved in procuring and carrying out works on the highway, there are no further legal implications directly related to this report.

4.6 Risk Management

4.6.1 Progress now needs to be made on the final design and procurement of the planned works if £16.344m of DfT funding is to be secured towards the cost of construction.

4.6.2 As is always the case with DfT funding for major schemes, the maximum contribution is capped, in this case at £16.344m. The Council therefore carries the risk of the scheme overspending. In this case officers are confident that a robust scheme estimate has been produced with appropriate risk allowance built in. The ECI contract for the major element of the scheme should also provide confidence in containing costs as has been shown on recent major schemes.

5 Conclusions

5.1 The Council has been successful in securing approval from the DfT of its bid for funding to support essential maintenance work to 3 key structures on the Inner Ring Road. This will provide up to £16.344m of DfT funding.

- 5.2 The Council has also been successful in securing an agreement over the terms of the lease for Woodhouse Tunnel with the Leeds Teaching Hospitals Trust and the University of Leeds.
- 5.3 To consolidate these agreements and secure the available funding it is essential that the final stages of design, procurement and construction are completed.
- 5.4 It is important to note that the positive progress that has been made in developing this scheme to its current position has been partly dependent upon the current availability of DoH funding to underwrite the Hospital Trust's financial liability for repairs to the tunnel. This has provided the basis of the agreement that lasts until 2042. However, beyond 2042 the continuing long term deterioration of the tunnel structure, along with other the deteriorating condition of other structures on the Inner Ring Road from the same era, will continue to present a substantial challenge for the Council and key stakeholders in the city. Whilst the planned scheme will remove the immediate pressure to address the poor condition of the tunnel, it is essential that a strategic focus is maintained on the function and long term viability of the Inner Ring Road in its current form.

6 Recommendations

- 6.1 The Executive Board is recommended to:
- 6.2 Note the update provided in this report outlining progress on the planned Major Maintenance Scheme on Leeds Inner Ring Road Structures, including obtaining Department for Transport approval.
- 6.3 Authorise expenditure of £2.046m to implement work to Lovell Park Bridge.
- 6.4 Authorise entering into an Early Contractor Involvement (ECI) contract for Woodhouse Tunnel and incur external costs of £400k on contractors/consultants costs for stage 1 of this contract.
- 6.5 Note that a further report will be submitted to the Executive Board early in 2013 seeking authority to progress the second stage, that being the construction works.

7 Background documents¹

- 7.1 Report to Executive Board – 7th September 2011
- 7.2 Best and Final Bid Document to DfT – 9th September 2011
- 7.3 Highways Structures Capital Maintenance & Strengthening Plan 2012/13 to 2014/14 – EDCI Screening December 2011
- 7.4 Lovell Park Bridge Option Report – EDCI Screening February 2011

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.