

## OUTLINE BUSINESS CASE (OBC)

### A. GENERAL INFORMATION

#### A1. General

<b>Project Title</b> <i>(as per Voyager)</i>	A457 Dudley Road Improvement Scheme		
<b>Voyager Code</b>	CA-02715		
<b>Portfolio / Committee</b>	Transport & Environment Finance & Resources	<b>Directorate</b>	Inclusive Growth
<b>Approved by Project Sponsor</b>	Phil Edwards	<b>Approved by Finance Business Partner</b>	Simon Ansell

#### A2. Project Description

##### Summary

As part of the Greater Birmingham and Solihull Local Enterprise Partnership's (GBSLEP) Growth Deal One allocation from Government, £129.5m of Local Growth Fund (LGF) resources were provisionally approved to take forward 3 major transport projects namely the A38 Tame Valley Viaduct, A457 Dudley Road and A45 Rapid Transit. Due to the size of these projects (each in excess of £20m), formal approval by way of green book compliant business cases was retained by the Department for Transport (DfT). In the case of the Dudley Road project, a provisional allocation of £22.411m was made available subject to a successful Major Scheme Business Case. A business case for the original scheme was close to being submitted to the DfT however due to COVID19 and changes to the Council's long term priorities, the original scheme is no longer progressing. Discussions have taken place with the DfT and a revised approach has been agreed, which is outlined in this OBC.

DfT set a deadline for the MSBC to be submitted by the end of the 2020/21 financial year. Due to significant delays and changes to the scheme caused by Covid-19 restrictions, the overall programme has slipped considerably and target dates for key milestones will not now be achieved. Unfortunately, as the revised scheme will not be deliverable in line with the original timescales, the retained funding for the scheme will be released back to the GBSLEP to fund alternative schemes within their programme. However, it was agreed that a tranche of the original funding totalling £5.043m be allocated to the scheme to fund the development of the Revised Dudley Road Improvement Scheme in relation to land acquisitions and detailed design to deliver a "shelf ready" scheme, subject to the submission of a revised Outline Business Case (OBC) to the GBSLEP. The OBC was submitted to the GBSLEP on 7th October 2020 and approved by the GBSLEP Project Board. The Council is now awaiting the formal funding offer and Funding Agreement.

The proposals for Dudley Road are in accordance with policies set out in key Council documents including the Birmingham Development Plan (BDP) and the Greater Icknield Masterplan.

Greater Icknield is identified as a key growth area within the Birmingham Development Plan (2017), with proposals to accommodate new housing developments along with other local facilities and employment opportunities. It is part of a wider growth corridor and along with development sites in Sandwell provide the potential to deliver over 3,000 new homes.

## Background

The Project Description Document (PDD) was approved by Cabinet on 26th June 2018. This approval authorised the City Council to: submit a funding bid to the Department for Transport (DfT), begin commencement of the land/property acquisition process and to make a Compulsory Purchase Order and Side Roads Order (CPO & SRO); and to grant delegated authority to the Assistant Director, Transport and Connectivity to procure, appoint and place orders with a design and build contractor to carry out Early Contractor Involvement (ECI) and design development.

In light of Covid-19 and the Emergency Transport Plan (ETP), the project team has undertaken a study to assess the feasibility of making significant changes to the scheme in-line with the ETP. The revised A457 Dudley Road improvement scheme is well developed and provides wider footways and new segregated cycle paths to cater for non-motorised users, the provision of a bus lanes along the corridor, alongside the carriageway widening works to support increased traffic capacity.

## Project Proposals

The strategic outline business case for the Dudley Road project articulated key benefits in respect of accommodating significant growth in the north west Birmingham area, specifically 3,000 new homes split predominantly across the Port Loop and City Hospital sites and improved access to existing large employment areas along the corridor. In addition, the scheme would improve accessibility from the north west Birmingham and Smethwick areas to the city centre, HS2 and other large developments being facilitated by the GBSLEP Enterprise Zone. Transport benefits including reduced congestion, improved journey time reliability, improved air quality and better provision for sustainable modes have also been introduced.

The scheme proposals complement one or more of the following objectives to align with the vision, principles and objectives of the ETP and Active Travel Plan (ATP). The following objectives are outlined in the Emergency Transport Plan:

- Reallocating road space away from single occupancy private cars to create safe space for walking, cycling and social distancing while maintaining public transport provision.
- Transforming the city centre through the creation of walking and cycling routes alongside public transport services and limited access for private cars.
- Prioritising active travel in local neighbourhoods so that walking and cycling is the way most people get around their local area most of the time. Local areas should be places where people are put first, creating stronger communities with space for exercise and play.
- Managing demand through parking measures where land and space currently occupied by car parking is repurposed for walking, cycling and social distancing.

## B. STRATEGIC CASE

### B1. Project Objectives and Outcomes

#### Existing Situation and Issues

The A457 Dudley Road corridor runs west to east through the eastern side of Birmingham. The corridor is approximately 2km long from Ladywood Middleway / Spring Hill junction on the Ring Road to Cape Hill near the boundary with Sandwell Metropolitan Borough Council (MBC). The A457 forms part of Birmingham's Strategic Highway Network and provides a key arterial route from the Black Country into central Birmingham. The road is heavily used by both local and through traffic and forms part of the emergency vehicle route to the M5 Motorway.

The A457 Dudley Road is a heavily trafficked major route with over 30,000 vehicles per day which equates to around 2,000 vehicles during the peak hour. The corridor provides access to major employment sites, residential and health centres from Birmingham city centre and Sandwell MBC and is a key route to the motorway network. As a major route the A457 Dudley Road is heavily utilised by buses, heavy goods vehicles (HGVs) and servicing vehicles, and due to its strategic nature, the route

also carries significant volumes of commuter traffic during the peak periods.

Dudley Road provides access to the residential areas in Winson Green and Rotton Park together with serving as a route for existing businesses within the area. Major employers and developments in the area include: City Hospital, and HM Birmingham Prison.

Queuing regularly occurs in both directions during the AM and PM peak periods. From site observations, delays are particularly bad during the PM peak in the westbound direction along the entire route with the focus being outside City Hospital. This is due to the existing highway layout, with parked cars restricting the route capacity to single lane, right turns blocking ahead traffic and several routes converging at one location. Because of the poor standard and inefficient operation of this section of the A457 Dudley Road for most of the day together with associated environmental deterioration and poor accessibility for public transport, users such as the freight operators, cyclists, pedestrians and private vehicle users see the corridor as a difficult route to and from the city.

There are a significant number of accidents along the road, with 113 recorded injury accidents in the period from 1st January 2011 to 31st December 2016, including 25 pedestrian casualties. The most common type of accident is driver error where the driver has failed to look properly when turning right from/to Dudley Road. The proposals seek to address this poor accident record through the implementation of signal-controlled junctions and signalised pedestrian crossing.

Delay as a result of congestion can significantly add to business costs and discourage businesses from investing and locating in this area, as well as adversely impacting on access to employment opportunities for residents.

Proposed developments taking place within the area will change the traffic pattern during the peak period causing an increase during the standard peak times. The majority of the City Hospital will be relocated to Smethwick creating a super hospital 'Midland Metropolitan Hospital' which is expected to open in Grove Lane, late 2022. This relocation will pave the way for more housing (750 approx.) to be developed across the remaining City Hospital site.

In addition, the Icknield Port Development Site and the Soho Loop Development Site are also currently being developed and positioned adjacent to the City Hospital Development on the southern side of the Dudley Road corridor. Both developments will bring forward more housing approximately 1200 for the Icknield Port and approximately 700 for the Soho Loop development Site.

The section of the Dudley Road corridor being considered for improvement is approximately 2km in length from the Spring Hill junction to the Sandwell boundary. The corridor consists of a wide single carriageway marked with 4 narrow substandard traffic lanes with some sections flaring out to three traffic lanes at the main junctions, there are several priority junctions located along the corridor. The route also crosses the West Coast Main Railway Line and both the Birmingham Main Line Canal and Soho Loop Canal.

## **Scheme Objectives**

The scheme proposals are outlined below:

- Significant improvements to network efficiency and reducing congestion as part of the corridor designation;
- Significant benefits to public transport operations, by making improvements to the signalised junctions by 'linking' the signals and providing bus detection measures to improve bus journey time;
- Support regeneration initiatives through improved accessibility to the existing and new development sites;
- Contribute to the retention of existing business in the area as well as encouraging new investment;
- The route widened to two lane single carriageway standards and increased provision of traffic

capacity at major junctions along the A457 Dudley Road with dedicated turning lanes which forms an important part of the city's Strategic Highway Network.

- Increased capacity at Winson Green Road/Dudley Road and Western Road/Dudley Road signalised junctions;
- New signalised junctions at Heath Street/Dudley Road and Steward Street/Spring Hill;
- Upgraded/new pedestrian crossings at all signalised junctions.
- Cycle and pedestrian facilities on wide footways along the entire route length; this primarily will be in the form of a segregated cycling route on the north side of the corridor and shared facilities where highway space is prohibitive. The cycling measures will also include toucan crossing facilities to create a link to the south side of the corridor;
- Provision of wider footways on the south side of the corridor together with a new footbridge adjacent to the existing Springhill bridge;
- Realignment of junctions to facilitate the widening of Dudley Road corridor.
- Provide continuous bus lanes along the corridor to improve bus journey times assisting the Cross/City Bus scheme.

### **City Council Objectives including ETP/ATP and the Draft Birmingham Travel Plan – Big Moves**

The Dudley Road project supports the policy objectives outlined in the City Council Plan and Budget 2018-2022 (as updated in 2019), including:

- 'an entrepreneurial city to learn, work and invest in', particularly 'develop our transport infrastructure, keeping the city moving through walking, cycling and improved public transport'.
- 'a great, clean and green city to live in', particularly 'improve the environment and tackle air pollution'.
- 'strive to maximise the investment in the city and engage local employers to create quality jobs and opportunities for citizens.'
- 'takes a leading role in tackling climate change'.

The scheme proposals support the priorities of 'A Clean Air Strategy for the City of Birmingham - Draft'

- 'Improving the wider transport network to support smoother and faster journeys, whilst increasing the range of cleaner and environmentally/health-friendly journey options available to travellers'

The proposals also support the objectives of Birmingham Development Plan (BDP) 2031 including:

- 'To provide high quality connections throughout the city and with other places including encouraging the increased use of public transport, walking and cycling'.
- 'To create a more sustainable city that minimises its carbon footprint'.
- 'To encourage better health and wellbeing'.

The scheme supports the Additional Climate Change Commitments including the aspiration for the City Council to be net zero carbon by 2030, as agreed by Cabinet on 30th July 2019, following the declaration of a Climate Change Emergency passed by full City Council on 11th June 2019.

### **Combined Authority Objectives**

The measures will support policies within the West Midlands Strategic Transport Plan, in particular:

- Economic Growth and Economic Inclusion: 'To accommodate increased travel demand by ... new sustainable transport capacity' and 'to improve connections to areas of deprivation'.
- Population Growth and Housing Development: 'To improve connections to new housing ... primarily through sustainable transport connections'.
- Environment: 'To help tackle climate change by ensuring a large decrease in greenhouse gases from the ... area's transport system'.
- Public Health: 'To significantly increase the amount of active travel' and 'to assist with the reduction of health inequalities'.
- Social Well-Being: 'to improve the accessibility of shops, services and other desired destinations for socially-excluded people'.

### **Birmingham Emergency Transport Plan**

The proposals have been reviewed in the light of the Emergency Birmingham Transport Plan – A low carbon, clean air recovery after Covid-19' published in May 2020:

- Reallocating road space away from single occupancy private cars to create safe space for walking, cycling and social distancing while maintaining public transport provision.
- Transforming the city centre through the creation of walking and cycling routes alongside public transport services and limited access for private cars.
- Prioritising active travel in local neighbourhoods so that walking and cycling is the way most people get around their local area most of the time. Local areas should be places where people are put first, creating stronger communities with space for exercise and play.
- Managing demand through parking measures where land and space currently occupied by car parking is repurposed for walking, cycling and social distancing.

## **B2. Project Deliverables**

The project will:

- Deliver segregated/shared footway and cycleway on the north side of the corridor to provide improved facilities for pedestrians and cyclists, together with links to the south side of the corridor; and to provide safer infrastructure for all road users;
- Provide 3 enhanced junctions and 1 new junction to significantly improve network efficiency and reduce congestion as part of the corridor designation;
- Provide options for new bus lanes along the corridor;
- Upgrading 13 bus shelters along Dudley Road corridor;
- Provide a new footpath and cycle track on the frontage of Birmingham City Hospital's A&E Centre to retain 15 trees;
- Provide a new footpath and cycle track on the frontage of Birmingham City Hospital's Treatment Centre;
- Provide a new signalised access for key development sites to support regeneration initiatives through improved accessibility to the existing developments and;
- Contribute to the retention of existing business in the area as well as encouraging new investment;
- Closure of Northbrook Street to enable realignment of the carriageway over Lee Bridge;
- Provision of a new footbridge over Spring Hill Canal.

<b>B3. Project Benefits</b>	
<b>Measure</b>	<b>Outline Impact</b>
Delivery of segregated/shared footway and cycleway to provide improved facilities for pedestrians and cyclists; and to provide safer infrastructure for all road users.	Safer cycle facilities to encourage more people to cycle, reducing traffic congestion and carbon emissions.
Provision of 3 enhanced junctions and 2 new junctions to significantly improve network efficiency and reduce congestion as part of the corridor designation and introduction of bus detection measures	To improve journey time reliability (including for public transport)
Provision of a new highway (segregated cycle/footway) on the frontage of Birmingham City Hospital to retain canopy cover and vegetation along the route. Replacement of low-quality trees with a selection of native species.	Improvement to air quality by minimising tree loss and landscaped areas. Replacement of low-quality trees with a selection of native species to enhance amenity biodiversity and ultimately improve air quality
Provision of a new signalised access for key development sites to support regeneration initiatives through improved accessibility to the existing developments and;	The proposals will contribute to the retention of existing business in the area as well as encouraging interest and investment
The proposals will encourage more sustainable modes of transport for trips to and from the city centre and particularly cycling as an alternative mode of transport within communities and social groups who do not view cycling as an option at present.	Reduce existing congestion that acts as a major barrier to growth both in Birmingham and throughout the West Midlands; improve north to south linkages for pedestrians and cyclists across the highway routes; improve journey time reliability (including for public transport) and provide high quality and continuous facilities for cyclists.
Provide options for implementation of new bus lanes along the corridor;	To improve journey time reliability for public transport and to align with policies encouraging road space reallocation.
<b>B4. Property implications</b>	
<p>The proposals impact on private land and property, as well as affecting private means of access. A SRO and CPO were made on September 2019 and November 2019 respectively as part of the statutory process to secure private interests. Negotiations with land and property owners have commenced alongside the SRO/CPO process with a view to mitigating the need for a Public Local Inquiry.</p> <p>The revised scheme will require the SRO and CPO to be reviewed and updated and necessary amendments to be made, alternatively dependent on the direction from the DfT a new SRO/CPO may be required, as additional parcels of land will be required from:</p> <ul style="list-style-type: none"> <li>• Frontage to Lidl store at Winson Green Road to improve the alignment of the carriageway east of the junction.</li> <li>• Builder's Merchant adjacent to the Soho Loop Development to facilitate the new footbridge adjacent to the Soho Loop Canal Bridge.</li> <li>• Frontage to Birmingham City Hospital Treatment Centre to facilitate continuity of provision for segregated cycling.</li> <li>• Frontage to Car Wash/Garage currently in ownership of Birmingham City Council to facilitate</li> </ul>	



the widening of the carriageway on Western Road.

## C. ECONOMIC CASE AND OPTIONS APPRAISAL

### C1. Options reviewed

A review of the existing (original) proposal was undertaken throughout 2017 driven in part by increasing construction costs and the need to identify a scheme within the available budget that met the key objectives. The review considered six options as listed below.

- Option 1 - Do Major (original option) + Bus Lane
- Option 2 - Do Minimum
- Option 3 - Do Something (Works to Northern Side of Rail Bridge) + Shared Cycling
- Option 4 - Do Something (Works to Southern Side of Rail Bridge) + Segregated Cycling
- Option 5 - Do Something + (Works to both Sides of Rail Bridge) + Shared Cycling
- Option 6 - Do minimum plus Segregated Cycling Facility (No Works to Rail Bridge)

Following the review of the six options; Option 2 (do minimum) & Option 6 (do minimum + segregated cycling) were taken forward for further development.

Option 6 (Original Scheme) was taken forward as it offered, on balance, the best value for money in meeting the requirements:

- To better manage traffic;
- To provide improvements for pedestrians, cyclists and buses and;
- To provide access to development sites.

In light of Covid-19 and the ETP, a review of the scheme was undertaken which resulted in a revised scheme (Option 2) being produced that aligned with the ETP objectives.

The current revised Option 2 includes bus lanes and segregated cycling on the north side of the corridor and the inclusion to extend the scheme to the Sandwell boundary.

In reference to the summary of options below,

**Option 1** refers to the Original Scheme (Option 6),

**Option 2** refers to the revised scheme following Covid-19 and ETP to be shelf ready by the end of March 2021,

**Option 3** is to deliver the junction of Western Road in line with Option 2 as an interim measure (Phase 1) (subject to Section 106 funding),

**Option 4** is to cease the scheme to date.

### C2. Summary of Options Appraisal – Price/Quality Matrix

Criteria	Option score (out of 10)				Weight	Weighted Score (%)			
	1	2	3	4		1	2	3	4
1. Total capital cost	2	2	7	9	10	2	2	7	9
2. Full year revenue cost	2	2	5	9	15	3	3	7.5	13.5
3. Benefits: Council priorities	8	10	6	0	30	24	30	18	0

## APPENDIX A

4. Benefits: Economic	8	9	2	0	15	12	13.5	3	0
5. Deliverability and risks	5	5	6	10	10	5	5	6	10
6. Other impacts – see note below	6	9	3	0	20	12	18	6	0
<b>Total</b>	31	<b>37</b>	25	28	<b>100%</b>	58	<b>71.5</b>	39.5	32.5

Further details are given in the Options Appraisal Records are given in Section G.

Note: highest cost = low score and weighting = highest priority gets higher percentage.

Other impacts – 1 Economic benefit. 2. Mode shift. Relate to providing economic benefit and potential for creating mode shift away from the car.

If the scheme doesn't proceed that the costs to date will revert to revenue.

### C3. Option recommended, with reasons

The recommendation is to take forward the revised scheme including bus lane & segregated cycling measures as shown in Appendix D.

This preferred option provides a bus lane to improve public transport journey time and reliability, and there are also wider footways to allow social distancing in light of Covid-19 and new cycle paths to cater for non-motorised users, as well as aligning with objectives set out by Birmingham Emergency Transport Plan as outlined below:

- Reallocating road space away from single occupancy private cars to create safe space for walking, cycling and social distancing while maintaining public transport provision.
- Transforming the city centre through the creation of walking and cycling routes alongside public transport services and limited access for private cars.
- Prioritising active travel in local neighbourhoods so that walking and cycling is the way most people get around their local area most of the time. Local areas should be places where people are put first, creating stronger communities with space for exercise and play.
- Managing demand through parking measures where land and space currently occupied by car parking is repurposed for walking, cycling and social distancing.

### C4. Risks and Issues of the preferred option

An Outline Risks and Issues Register is attached at the end of this OBC, including risks during the development to Full Business Case stage.

Implementation of the revised scheme will require the closure and stopping up of the Northbrook Street / Dudley Road junction as a consequence of the loading/carriageway alignment restrictions imposed by the Lee Canal Bridge structural investigations. The proposed layout has previously been shared with both project stakeholders and council members and approved.

The closure of Northbrook Street was not included within the original public consultation, therefore additional consultation on the proposal will need to be undertaken as part of the next stage of project development. Without the closure of Northbrook Street, costly structural modifications would be required to strengthen the canal bridge to enable the required carriageway widening to proceed.

Additional land requirement of the revised scheme (if land is not acquired by negotiation) will require amendment to the existing CPO or even a new CPO/SRO and add potential delays to programme delivery.

The existing Lee Canal Bridge is an approximability 180 years old structure that requires assessment and monitoring with regards to implementation of the scheme. There is a risk that the highway works will have an increase load on the structure which may result in structural damage, CRT have requested a deed of indemnity from the City Council to cover mitigation. The risk will be reduced by



monitoring the movement on the bridge prior to construction phase post Commonwealth Games (CWG) together with monitoring following construction, this will help to identify if there is an existing issue and where the liability sits. Alternatively, additional specialist investigation can be undertaken to provide a design solution.

## C5. Other impacts of the preferred option

The proposals impact on private land and property, as well as affecting private means of access. A SRO and CPO were made on September 2019 and November 2019 respectively as part of the statutory process to secure private interests. Negotiations with land and property owners are ongoing alongside the SRO/CPO process with a view to mitigating the need for a Public Local Inquiry.

The existing CPO does not meet the requirements of the revised scheme as additional land is required; in particular, land required from Lidl store, land required from Builders Merchant adjacent to the Soho Loop Development to facilitate the new foot bridge and additional land required from the hospital to facilitate continuity of provision for segregated cycling. Therefore, the order will be held in abeyance to allow for negotiated agreements to be finalised and if required a new CPO will be advertised.

Additional land will be required from the Car Wash/Garage on Western Road, currently in ownership of Birmingham City Council, to facilitate the widening of carriageway on Western Road.

## D. COMMERCIAL CASE

### D1. Partnership, joint venture and accountable body working

The City Council is responsible for the delivery of A457 Dudley Road Improvement Scheme.

Funding will be redirected from DfT to GBSLEP.

GBSLEP will fund c 23% (£5.043m) of the original DfT contribution (£22.411m) for the scheme, to enable development of the revised scheme to be ready for delivery. Funding for the scheme delivery will be sought via future funding rounds.

### D2. Procurement implications

The procurement strategy for the scheme delivery was approved by Cabinet on 26<sup>th</sup> June 2018 as part of the PDD. The works will be delivered using the City Council's Highways and Infrastructure Works Framework Agreement under Lot 4 (works over £0.5m).

As the scheme progressed, it was recommended by the DfT to consider ways to accelerate the delivery programme in order to facilitate an earlier spend profile. The method to implement this acceleration was to amend the procurement strategy to carrying out a single procurement exercise, to include Phase 1 (including Stage 1 - ECI and Stage 2 - Detail Design) and Phase 2 (Stage 3 - Works), with the progress to the final stage being subject to the works cost being within budget and DfT approving the MSBC, with the inclusion of a break clause at each stage. This would provide cost savings and the acceleration of the programme to deliver the scheme to meet the DfT's request. Due to the acceleration of the programme, it was necessary to undertake additional site survey's and investigation to ensure that the tender returns would be robust.

The main contractor was procured using a single, two phased (design and construction) contract and appointed in November 2019 to develop the detailed design and construction planning. Construction works were to follow completion of the detailed design, subject to:

- Approval of FBC
- Securing confirmed CPO and SRO
- DfT approval to the MSBC

In the event the above approvals are not secured the delivery contract will be terminated by giving notice to terminate the contractor's obligation to provide the works and discharge this contract.

In light of Covid-19, the scheme has been reviewed and as a result the previous scheme will no longer progress and a revised scheme will be developed to replace it.

The existing contract will be utilised to complete the revised scheme to a preliminary/detail design stage ready for delivery, following which the termination clause in the existing contract will be triggered.

As a consequence of the revised scheme being progressed, there are two options available for the delivery. Option A to deliver the Western Road junction improvements in conjunction with the Soho Loop development. This proposal is subject to a Section 278 agreement being agreed from Soho Loop Development and additional funding being approved to cover the difference between the developer's scheme and the wider revised scheme. Should this option be pursued as an earlier Phase 1 – Advance Works, then the delivery will be undertaken using the existing contract will be subject to a separate FBC, with further details of the procurement strategy for the delivery of the main scheme to be detailed in the FBC February 2021.

Option B should the Western Road junction not proceed, the detailed design will be completed and the termination clause will be invoked. If Option B becomes the proposed route, a procurement process for the revised main scheme works would then be undertaken with the FBC seeking approval to the revised procurement strategy.

### Birmingham Business Charter for Social Responsibility (BBC4SR).

Works - Compliance with the BBC4SR is a mandatory requirement that will form part of the conditions of the contract for the Dudley Road Improvement Scheme. The contractor undertaking this project work under the City Council's Highways and Infrastructure Framework Agreement is a certified signatory to the BBC4SR and has provided additional actions proportionate to the value of each contract awarded. The actions will be monitored and managed during the contract period. If there is a requirement for a subsequent procurement exercise for the works, the BBC4SR requirement will be reported in the procurement strategy.

### Demolition and Remediation

There is a requirement for the demolition and remediation of the MOT garage and adjacent retail properties to support a future f Housing development that will be subject to a separate procurement exercise. Details of the procurement strategy are included in Appendix G of the Cabinet report.

Demolition and Remediation - The value of the proposed contract is below the threshold for the BBC4SR. However, the contract will include the requirement for the payment of the Real Living Wage.

## **E. FINANCIAL CASE**

### **E1. Financial implications and funding**

## APPENDIX A

Capital code: CA-02715	Prior Years	2019/20	2020/21	2021/22	2022 - Onwards	Total
	£0	£0	£0	£0	£0	£0
<b>CAPITAL EXPENDITURE</b>						
Capital Costs	567	966	4,961	3,405	20,036	29,935
<b>Total Capital Expenditure</b>	<b>567</b>	<b>966</b>	<b>4,961</b>	<b>3,405</b>	<b>20,036</b>	<b>29,935</b>
<b>CAPITAL FUNDING:</b>						
Department for Transport	500					500
Local Prudential Borrowing	58	966	-82	1,405	3,186	5,533
ITB	9					9
Local Enterprise Partnership			5,043			5,043
Unidentified funding					16,850	16,850
Section 106/278 Contribution TBC				2,000		2,000
<b>Total capital funding</b>	<b>567</b>	<b>966</b>	<b>4,961</b>	<b>3,405</b>	<b>20,036</b>	<b>29,935</b>

REVENUE CONSEQUENCES	2020/21	2021/22	2022/23	Later Years
	£000	£000	£000	£000
<b><u>Highways Maintenance</u></b>				
Basic Highway Assets		2.75	40.15	42.9
Enhanced Highway Assets		5.57	-8.96	-3.39
Highway Horticulture (Parks)		0.02	-0.08	-0.06
Non-Highway Assets (NPNPs)		0.00	-4.72	-4.72
Energy Cost		1.07	4.84	5.91
Contingency (5%)		0.47	1.56	2.03
Footbridge Mainrnance		0.00	0.00	0.25
<b>Total revenue consequences</b>		<b>9.9</b>	<b>32.8</b>	<b>42.9</b>
<b>REVENUE FUNDING:</b>				
Corporate Policy Contingency		9.9	32.8	42.9
<b>Total revenue funding</b>		<b>9.9</b>	<b>32.8</b>	<b>42.9</b>
<b><u>Prudential Borrowing</u></b>				
Interest on Prudential Borrowing	56.9	52.4	132.6	318.7
<b>Total revenue consequences</b>	<b>56.9</b>	<b>52.4</b>	<b>132.6</b>	<b>318.7</b>
<b>REVENUE FUNDING:</b>				
BLE Surplus Income	56.9	52.4	132.6	318.7
<b>Total revenue funding</b>	<b>56.9</b>	<b>52.4</b>	<b>132.6</b>	<b>318.7</b>

## E2. Evaluation and comment on financial implications

### Capital Costs

The total estimated capital cost is an increase of £0.471m on the original scheme value of £29.464m approved in the Project Definition Document (PDD) by Cabinet on 26<sup>th</sup> June 2018. Details of the capital cost and funding for the original scheme vs the revised scheme and the movement is shown in the table below.

	Original Scheme	Revised Scheme	Movement
	£000	£000	£000
<b>CAPITAL EXPENDITURE</b>			
Capital Costs	29,464	29,935	471
<b>Total Capital Expenditure</b>	<b>29,464</b>	<b>29,935</b>	<b>471</b>
<b>CAPITAL FUNDING:</b>			
Department for Transport	22,411	500	(21,911)
Local Prudential Borrowing	7,044	5,533	(1,511)
Local ITB	9	9	0
GBSLEP	0	5,043	5,043
Unidentified funding	0	16,850	16,850
Section 106/278 Contribution TBC	0	2,000	2,000
<b>Total Capital Funding</b>	<b>29,464</b>	<b>29,935</b>	<b>471</b>

The approved PDD included City Council funding of £7.053m (£7.044m of Prudential Borrowing (PB) and £0.009m of Integrated Transport Block Funding (ITB)). The estimated City Council contribution required for the Revised scheme has reduced to £5.542m of which £5.533m will be PB and the balance of £0.009m ITB as per the original scheme.

The DfT provisionally allocated £22.411m to the original scheme, which was subject to the submission and approval of a Major Scheme Business Case. £0.500m was released to fund the development of the original scheme in previous years. Whilst the original scheme is no longer deliverable, the DfT continue to support the scheme and have passported a further £5.043m to the GBSLEP to develop the revised scheme. An OBC was submitted to the GBSLEP on 7<sup>th</sup> October 2020 and approved by the GBSLEP Project Board. The Council is now awaiting the formal funding offer and Funding Agreement and this report seeks to delegate authority to the Assistant Director, Transport and Connectivity to accept the £5.043m LGF and to enter into the associated Funding Agreement, subject to the final terms and conditions being acceptable.

The Revised scheme is split into the following 3 elements, (further information is provided below):

- Developing Shelf Ready Scheme (including previous years expenditure) - £6.494m;
- Delivery of the Western Road Junction as Phase 1 Advanced Works - £3.405m;
- Delivery of the Main Scheme - £20.036m.

Shelf Ready Scheme – Development. Expenditure already incurred in previous years of £1.533m was funded from DfT (£0.500m), PB (£1.024m) and ITB (£0.009m). The remaining estimated cost of developing the revised scheme to a “shelf ready” state in 2020/21 is estimated at £2.026m. This includes a repayment of PB £0.082m to reduce the overall total PB for this element of the scheme to £0.942m (£1.024m less £0.082m). This will be funded from the GBSLEP contribution of £5.043m.

Shelf Ready Scheme – Land Acquisition. As noted in paragraph 3.2, approval of the Project Definition Document by Cabinet on 26th June 2018 authorised the purchase of land in advance of and alongside the CPO process, currently estimated to cost £3.017m. This will be funded from the GBSLEP contribution of £5.043m.

Western Road Junction Phase 1 Advanced Works - The total estimated capital cost of the scheme is £3.405m. The option to deliver this element ahead of the main scheme will require identification of an estimated Section 106/278 contribution from the Soho Loop development of £2.000m, with the remaining funding for the scheme being through a local contribution from the City Council of £1.405m, currently proposed to be funded from PB in line with the original scheme. Should the advanced scheme progress, the final costs and funding source will be confirmed in an FBC, anticipated to be brought forward for approval by Cabinet in February 2021.

Main Scheme - The total estimated capital cost of the scheme is £20.036m. Funding will need to be identified in order for the scheme to progress to full implementation, with current plans identifying £3.186m as funded from PB in line with the original scheme and £16.850m as unidentified. The DfT are supportive of the revised scheme and should funding become available through future funding rounds it is hoped that having developed a “shelf ready” scheme the Council will be in a good position to submit a successful bid. Should the scheme progress, the final costs and funding sources will be confirmed in an FBC, anticipated to be brought forward for approval by Cabinet in Spring 2021.

In the event the GBSLEP FBC is not approved or the full scheme does not proceed to construction, the GBSLEP reserves the right (but is not obliged) to seek reimbursement from the City Council of any payments made in respect of the £5.043m LGF grant advance, to the extent that such funding has not been utilised to fund capital expenditure to support the scheme (including land assembly). Funding of any subsequent claw back of grant will have to be identified from within existing sources (including receipts from directly related land disposals). The GBSLEP continue to support the project and the risk of the project not delivering against the key outputs, summarised below, by the end of March 2021 is deemed low.

#### GBSLEP Key Outputs:

- Submission of the GBSLEP FBC;
- Completion of Detail Design;
- Completion of third party land acquisition required to facilitate delivery of the revised scheme via negotiation and where negotiation does not prevail then a future CPO will be sought;

In addition, once the scheme has secured funding to proceed to construction, any outputs and outcomes which will be realised as a result of the scheme, must be reported against the LGF in proportion to the amount of LGF funding to the total public sector funding.

It should be noted that the West Midlands Combined Authority have submitted a £5.000m bid to the Housing Infrastructure Fund (HIF) for funding to support the scheme. A decision is expected in spring 2021. If the funding is secured, it will be used to reduce the City Council PB requirement where possible in order to reduce financing costs.

### Revenue Implications

The revised scheme will both change and create assets that will form part of the highway upon completion of the project. As such they will need to be maintained within the overall highway maintenance programme. Whilst the previous PDD estimated a maintenance cost of £0.018m per annum, the estimated cost for the revised scheme has increased to £0.043m per annum as a result of the subsequent transfer of operations from Amey to Kier and an increase in the quantity of assets following new proposals for the revised scheme. This cost will be funded from the provision for highways maintenance held within Corporate Policy Contingency. The detailed design will be developed by the appointed design and build contractor with a view to minimising the future maintenance liability to the City Council.

The provision of a new footbridge adjacent to the existing Spring Hill bridge will result in additional revenue implications with an initial estimated value of approximately £250 per annum to cover the remaining life of the contract to 2035. This will be funded from the provision for highways maintenance held within Corporate Policy Contingency.

The revised scheme will require PB estimated at £5.533m (subject to approval), split between Scheme Development (£0.942m), Western Road Junction Phase 1 Advanced Works (£1.405m) and the Main Scheme (£3.186m) as shown in the table above. The cost of existing PB of £0.052m per annum and estimated additional future borrowing costs of £0.266m per annum associated with Western Road Junction Phase 1 Advanced Works and the Main Scheme will be funded from Bus Lane Enforcement net surplus income as set out in the Transportation and Highways Capital Programme 2020/21 – 2025/26 Annual Programme Update report approved by Cabinet on 11<sup>th</sup> February 2020. The total potential cost of PB for the revised scheme of £0.318m per annum is within the borrowing limits for the original scheme which is included within the approved Capital Programme.

The Prudential Borrowing costs referred to above are based on current Public Works Loans Board (PWLb) interest rates. There is potential to access reduced rate PWLB borrowing, through the Concessionary Infrastructure Loan Rate, subject to meeting the required criteria. An application will be considered in line with the due process.

The Canal and River's Trust have requested a deed of indemnity from the City to cover mitigation for highway works that may result in damage to the existing Lee Bridge structure. A full risk assessment will be undertaken to identify any future liability, responsibility and costs and will be detailed in the FBC relating to the main scheme planned for approval by Cabinet in Spring 2021.

### E3. Approach to optimism bias and provision of contingency

The overall total estimated capital cost of the project is £29.935m which includes an allocation for contingency and risk deemed enough to address any unforeseen works, based on Risk assessment workshop.

### E4. Taxation

*Describe any tax implications and how they will be managed, including VAT*

There should be no adverse VAT implications for the City Council in this scheme as the



maintenance of highways is a statutory function of the City Council such that any VAT paid to contractors or on the acquisition of land is reclaimable.

As this is a construction project, the requirements of HMRC's Construction Industry Tax Scheme will be included in the contract documentation to ensure the Council's compliance.

## F. PROJECT MANAGEMENT CASE

*This considers how project delivery plans are robust and realistic*

F1. Key Project Milestones	Planned Delivery Dates
OBC approved (GBSLEP)	07/10/2020
OBC approval (BCC)	10/11/2020
Public Consultation	17/11/2020
Full Business Case approval (Western Road Junction delivery) subject to funding being secured	Feb 2021
Full Business Case approval (Full scheme) subject to funding being secured	Spring 2022
Main contract out to tender (Full scheme)	Spring 2022
Tender returns	Summer 2022
Contract award	Autumn 2022
Date project operational complete	Late 2023
Date of Post Implementation Review	Late 2024

## F2. Achievability

*Describe how the project can be delivered given the organisational skills and capacity available*

The programme involves standard highway engineering works, and the City Council has significant experience of successfully project managing and implementing projects of this nature. To support the in-house team additional external professional services have been engaged through existing frameworks where required. As part of the original contract a Design and Build contractor was appointed to undertake the design development, detailed design and ECI as the first phase and Delivery subject to agreeing the target cost and approval of funding being the second phase. The original contract will continued to be used progress the scheme to being ready for delivery and construction should the opportunity arise to deliver the Western Road junction as an earlier phase (Phase 1).

Both Network Rail and the Canal and River Trust (CRT) are engaged as the proposals require reconfiguration of the carriageway and footway over both rail and canal bridges. There is no overall widening over the Network Rail bridge, however the footways will be realigned to accommodate the widening of the carriageway.

Spring Hill bridge will require the construction of a new foot bridge, this will require engagement and approval from CRT.

At the appropriate stage prior to deliver Traffic Regulation Orders (TRO) will be required to amend parking and loading restrictions. The TRO process has been included in the delivery programme with an allowance for dealing with any objections received.

A CPO has been made to secure private land / property interests in accordance with the previous scheme, however a new CPO may be required for the revised scheme. Working with Legal and Democratic Services, the project team has experience of progressing CPO's for projects of this

type e.g. Selly Oak New Road, Iron Lane Junction Improvement.

A City Council Arboricultural Officer will have input in the preparation of the landscape strategy as design and build progresses.

### **F3. Dependencies on other projects or activities**

Delivery of the measures are subject to approval of the FBC at the appropriate stage by the GBSLEP, the FBC will be submitted to GBSLEP in Spring 2021.

### **F4. Products required to produce Full Business Case**

*This should be a full list of the items required in order to produce a Full Business Case.*

The products required to prepare the Full Business Case are listed below:

- Financial plan including funding from the Local Growth Fund
- Detailed design
- Whole life costings
- Consultation/Stakeholder analysis
- More detailed assessment of revenue and maintenance cost implications;
- Consultations with Ward Councillors and relevant Stakeholders;
- Public consultations with residents and businesses;
- Stage 1 and 2 Road Safety Audits;
- Review of existing Traffic Regulation Orders and the changes required;
- Implementation Programme to be further developed;
- Traffic Management Approvals (TMP1);
- Risk Analysis to be reviewed
- Commencement of the land/property negotiation and the Compulsory Purchase Order process.

### **F5. Estimated time to complete project development to FBC**

*Give an estimate of how long it will take to complete the delivery of all the products stated above, and incorporate them into a Full Business Case.*

To take the project from OBC to FBC it is estimated a period of 4/5 months is required.

### **F6. Estimated cost to complete project development to FBC**

*Provide details of the development costs shown in Section F1 above (capital and revenue). This should include an estimate of the costs of delivering all the products stated above, and incorporating them into a Full Business Case. The cost of internal resources, where these are charged to the project budget, should be included. A separate analysis may be attached.*

The estimated fees for development up to FBC are £6.494m.

### **F7. Funding of development costs**

*Provide details of development costs funding shown in Section F1 above.*

The development costs are funded from GBSLEP, the Integrated Transport Block and Prudential Borrowing as set out in the Budget Summary Table.

F8. Officer support	
<b>Project Manager:</b>	Saaied Manzoor – Transport Delivery Specialist Tel: 0121 675 6502    Email: Saaied.Manzoor@birmingham.gov.uk
<b>Programme Manager:</b>	Gavin Maciel – Transport Delivery Specialist Tel: 0121 675 4332    Email: name.name@birmingham.gov.uk
<b>Project Accountant:</b>	Andy Price – Finance Manager Tel: 0121 303 7107    Email: name.name@birmingham.gov.uk
<b>Project Sponsor:</b>	Philip Edwards – Assistant Director Transport and Connectivity Tel: 0121 303 6467    Email: Philip.Edwards@birmingham.gov.uk
F9. Project Management	
<i>Describe how the project will be managed, including the responsible Project Board and who its members are</i>	
Project Sponsor – Philip Edwards Senior Responsible Officer – Paul Simkins Programme Manager – Gavin Maciel Project Manager – Saaied Manzoor Project Accountant – Andy Price	

**G. SUPPORTING INFORMATION**

*(Please adapt or replace the formats as appropriate to the project)*

**G1. OBC Options Appraisal records (these are summarised in Section C2)**

*The following sections are evidence of the different options that have been considered in arriving at the proposed solution. All options should be documented individually.*

<b>Option 1</b>	Original approved scheme (Option 6).
<b>Information Considered</b>	A review of the original proposal was undertaken through 2017 driven in part by increasing construction costs and the need to identify a scheme within the available budget that meets the key objectives to better manage traffic along the Dudley Road corridor and provide improved access to development sites.
<b>Pros and Cons of Option</b>	<p>What were the advantages/positive aspects of this option?</p> <ul style="list-style-type: none"> <li>• Reduced queues improve bus reliability with bus lane</li> <li>• Higher average speed of all bus trips along the corridor.</li> <li>• Provision of additional controlled crossings</li> <li>• Segregated facilities for cyclists along corridor</li> <li>• Provision of a new signalised access for key development sites to support regeneration initiatives through improved accessibility to the existing developments</li> <li>• This option will encourage more sustainable modes of transport for trips to and from the city centre and particularly cycling as an alternative mode of transport within communities and social groups who do not view cycling as an option at present.</li> </ul> <p>What are the Disadvantages/negative aspects of this option?</p> <ul style="list-style-type: none"> <li>• Does not meet current City Direction and Policies.</li> <li>• No Bus lane provision.</li> <li>• Segregated cycling not continuous.</li> <li>• Narrow footways do not cater for maintaining social distance in light of corona virus restrictions.</li> </ul>
<b>People Consulted</b>	Cabinet Member, Local Councillors, Assistant Director Transport and Connectivity, NHS.
<b>Recommendation</b>	Not Proceed
<b>Principal Reason for Decision</b>	This option does not meet current City Policies following the summary of options appraisal as shown in section C2 of this report.

<b>Option 2</b>	Revised Scheme Including Bus lanes and segregated cycling on the southbound of the corridor – developed to shelf ready scheme April 2021 delivery delayed until post CWG.
<b>Information Considered</b>	<p>The options were identified, with a Public Transport, motorised and non-motorised users and 'Highway Capacity' (HC) focus.</p> <p>The options also considered local, regional and national policies and objectives.</p> <p>The previous options were appraised and sifted through assessment against their strategic fit to the objectives and the level of risk involved in their deliverability. The revised scheme was further improved to better fit with the ETP.</p>
<b>Pros and Cons of Option</b>	<p>What were the advantages/positive aspects of this option?</p> <ul style="list-style-type: none"> <li>• Reduced queues improve bus reliability with bus lane</li> <li>• Higher average speed of all bus trips along the corridor.</li> <li>• Provision of additional controlled crossings</li> <li>• Segregated facilities for cyclists along corridor</li> <li>• Provision of a new signalised access for key development sites to support regeneration initiatives through improved accessibility to the existing developments</li> <li>• This option will encourage more sustainable modes of transport for trips to and from the city centre and particularly cycling as an alternative mode of transport within communities and social groups who do not view cycling as an option at present.</li> <li>• Provision of wider footways to cater for maintaining social distance in light of corona virus restrictions.</li> </ul> <p>What are the Disadvantages/negative aspects of this option?</p> <ul style="list-style-type: none"> <li>• It is likely to be the most expensive option requiring significantly greater level of investment than other options.</li> </ul>
<b>People Consulted</b>	Cabinet Member, local councillors, Assistant Director Transport and Connectivity, NHS.
<b>Recommendation</b>	Proceed
<b>Principal Reason for Decision</b>	This is the preferred option following the summary of options appraisal as shown in section C2 of this report.

<b>Option 3</b>	To deliver the Western Road junction in line with the revised scheme as an independent element.
<b>Information Considered</b>	As per Option 1 + additional occupational requirements for the Soho loop development.
<b>Pros and Cons of</b>	What were the advantages/positive aspects of this option?

## APPENDIX A

<b>Option</b>	<ul style="list-style-type: none"> <li>• Reduced queues improve bus reliability through junction</li> <li>• Provision of additional controlled crossings</li> <li>• Limited segregated facilities for cyclists can be provided as an initial phase.</li> <li>• Provision of a new signalised access for key development sites to support regeneration initiatives through improved accessibility to the existing developments.</li> <li>• Provision of localised wider footways to cater for maintaining social distance in light of corona virus restrictions.</li> </ul> <p>What are the Disadvantages/negative aspects of this option?</p> <ul style="list-style-type: none"> <li>• Limited works and improvements to the Junction only.</li> <li>• Does not deliver the corridor improvements.</li> </ul>
<b>People Consulted</b>	Cabinet Member, local councillors, Assistant Director Transport and Connectivity
<b>Recommendation</b>	Proceed subject to funding being identified
<b>Principal Reason for Decision</b>	This will show the City Council's intention of delivering the corridor improvements as a first phase and assists the adjacent development.

<b>Option 4</b>	To cease the scheme.
<b>Information Considered</b>	The financial risks associated with funding and clawback.
<b>Pros and Cons of Option</b>	<p>What were the advantages/positive aspects of this option?</p> <ul style="list-style-type: none"> <li>• Reduce future risk relating finances and revenue.</li> <li>• Add.</li> </ul> <p>What are the Disadvantages/negative aspects of this option?</p> <ul style="list-style-type: none"> <li>• Not meet the Cities Policies.</li> <li>• Not support regeneration and economic growth.</li> </ul>
<b>People Consulted</b>	
<b>Recommendation</b>	Not Proceed
<b>Principal Reason for Decision</b>	This would require revenue to fund the spend to date, not meet the aspirations of the City and not encourage economic growth.



**G2. Outline Risks and Issues Register**

*Risks should include Optimism Bias, and risks during the development to FBC*

*Grading of severity and likelihood: High – Significant – Medium - Low*

		<b>Risk after mitigation:</b>	
<b>Risk or Issue</b>	<b>Mitigation</b>	<b>Severity</b>	<b>Likelihood</b>
1. The impact of coronavirus further delaying the scheme development	Forward planning of Key Stakeholder and Public Consultation Engagement	Medium	Low
2. FBC not approved by GBSELP	Ongoing dialogue with GBSLEP on the development and progression of the project	Medium	Low
3. Land Acquisition//CPO	Ongoing negotiations with landowners to in an attempt to reach agreement	Medium	Low
4. Securing funding for scheme delivery	Ongoing dialogue with GBSLEP and DfT to obtain clarity on the next round of funding	Medium	Medium
5. Cost of further work to canal bridge	Undertake site investigation if required and complete AIP for approval	Medium	Low

**Other Attachments**

*provide as appropriate*

• Appendix B – Risk Assessment	
• Appendix C – Equality Analysis	
• Appendix D – Scheme Plan	
• Appendix E Exempt Report – Revised Design Cost Implications and Land Acquisition RAG Status.	