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AGENDA ITEM 13

**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY
CABINET**

27th NOVEMBER 2020

**REPORT OF THE
HEAD OF TRANSPORT**

TEES CROSSING UPDATE

SUMMARY

The Tees Crossing scheme has two distinct components: the Tees Viaduct capacity enhancement and Portrack Relief Road (PRR).

The Tees Valley Combined Authority (TVCA) originally submitted an Outline Business Case (OBC) to the Department for Transport (DfT) in October 2019. Feedback at the time was positive, but the onset of COVID-19 meant that the DfT appraisal and approval process was put on hold.

On the 29th May 2020 Cabinet approved a maximum allocation of £24m from the TVCA Investment Plan 2019 to 2029 as a local contribution to the new A19 Tees Crossing. This was based on DfT advice that in order to secure funding to deliver the scheme, TVCA needed to commit a local contribution. The Cabinet report presented at that meeting also highlighted the aspiration to deliver PRR as an enabler to the Tees Viaduct. TVCA had highlighted to the DfT that the intention was to fund PRR from the £24m.

In recent months there has been further engagement with DfT, and progress has been made on agreeing a way forward. TVCA has submitted a revised OBC addressing several issues as requested by the DfT. However, the DfT has also confirmed that the TVCA local contribution should relate only to the Tees Viaduct and that the funding for PRR must be dealt with separately.

There is therefore a requirement for an additional £11.5m to fully fund delivery of PRR and provide a fixed local contribution to the Tees Viaduct, which Cabinet is asked to approve.

RECOMMENDATIONS

It is recommended that the Tees Valley Combined Authority Cabinet:

- i. Notes the progress that has been made to try and secure a Government commitment to fund the Tees Crossing scheme.
- ii. Approves the commitment of an additional £11.5m to fully fund delivery of Portrack Relief Road and provide a fixed local contribution to the Tees Viaduct.

- iii. Approves that in accordance with the Assurance Framework proportionate business cases are developed, and approval is delegated to the Combined Authority Chief Executive, in consultation with Tees Valley Management Group, the S73 Officer and the Monitoring Officer.

DETAIL

Background

1. A new A19 Tees Crossing was identified as a high priority in the Tees Valley Devolution Agreement and is recognised as such in the Strategic Economic Plan, the Strategic Transport Plan and the refreshed Investment Plan.
2. The strategic importance of the A19 corridor is emphasised by the fact that this section currently carries between 100,000 and 106,000 vehicles per day, whereas the parallel A1(M) carries only 47,000 vehicles per day at the point it crosses the River Tees. Furthermore, this section of the A19 regularly suffers from congestion with only 55% of journeys categorised as being 'on time' by Highways England.
3. The scheme has two distinct components as summarised below.
 - The **Tees Viaduct capacity enhancement** will see a new two-lane bridge built parallel to the existing A19 viaduct to carry traffic travelling northbound and the existing structure widened to allow for an extra lane of southbound traffic. This additional capacity will relieve the existing bottleneck on the A19.
 - **Portrack Relief Road (PRR)** will see the creation of a new 1.3km highway link by utilising the route of the former Billingham Beck branch railway between Marston Road and the A1032 Newport Bridge Approach Road. The scheme will help to reduce levels of local traffic on the A19 and open-up potential development opportunities within Stockton-on-Tees and Middlesbrough.
4. The DfT originally provided development funding to progress the scheme to OBC stage, which is the point at which DfT can take a decision to fund delivery of the scheme.
5. The OBC was submitted to DfT in October 2019 and feedback at the time was positive. However, with the onset of COVID-19, the DfT appraisal and approval process was put on hold.
6. On the 29th May 2020 Cabinet approved a maximum allocation of £24m from the TVCA Investment Plan 2019 to 2029 as a local contribution to the new A19 Tees Crossing, subject to the production of a Full Business Case and due diligence in line with the Assurance Framework. This was based on DfT advice that in order to secure funding to deliver the scheme, TVCA needed to commit a local contribution.
7. The Cabinet report presented at that meeting also highlighted the aspiration to deliver PRR as an enabler to the Tees Viaduct. Indeed, TVCA had highlighted to the DfT that the intention was to fund PRR from the £24m.
8. The preferred delivery route is for Highways England to deliver the Tees Viaduct on the A19 and Stockton-on-Tees Borough Council to deliver PRR. This has now been accepted in principle by both the DfT and Highways England. Stockton-on-Tees

Borough Council is now taking forward delivery of PRR with an initial £900K of advanced funding from TVCA.

9. In order to maintain momentum on the Tees Viaduct whilst the DfT considers its funding position, TVCA has been working on a transition plan with Highways England. TVCA has committed £200K of advanced funding to complete the outstanding tasks required to close out Stage 2 (Option Selection) of the Highways England Project Control Framework. This has enabled the scheme to continue to progress while awaiting a DfT funding commitment and means that Highways England will be able to take the scheme forward through Stage 3 of their Project Control Framework and beyond, and so maintain the overall momentum on the project.

Latest position

10. In recent months there has been further engagement with DfT, and progress has been made on agreeing a way forward.
11. Given the time that has elapsed since submission of the original OBC, the DfT has asked for a revised OBC to be submitted, which was done at the beginning of November 2020. The DfT requested that this revised OBC address the following issues: -
 - Confirmation that Highways England will deliver the Tees Viaduct.
 - Confirmation that Stockton-on-Tees Borough Council will deliver PRR as an enabler to the Tees Viaduct.
 - Updated cost estimate for the Tees Viaduct and a revised programme, with evidence that both had been validated by Highways England.
 - Updated economic analysis based on the latest Office of Budget Responsibility figures.
12. The revised value for money assessment presented in the OBC demonstrates that the Tees Viaduct has a Benefit Cost Ratio (BCR) of 1.59 representing medium value for money in the DfT framework. However, it is important to note that there are other significant strategic benefits that further strengthen the case for investment, and these are articulated in the OBC.
13. The DfT has also stated that the TVCA local contribution should relate only to the Tees Viaduct and that the funding for PRR must be dealt with separately. In order to progress the scheme, there is therefore a need for TVCA to commit to a local contribution towards the Tees Viaduct cost and fund the total cost of PRR.
14. The latest position in relation to on-going discussions with DfT is presented in **Appendix 1**.
15. The DfT stance does mean that delivering PRR as an enabler to the Tees Viaduct will require a further funding commitment from TVCA, in addition to the £24m previously approved by Cabinet. However, there are several benefits arising from delivering PRR as an enabler to the Tees Viaduct: -
 - PRR can be delivered quicker than if it were included as part of the Tees Viaduct. The indicative SBC programme for PRR has a completion date by the end of 2023, whereas the Tees Viaduct programme has an indicative start on site in Q2 2025 with completion in Q2 2028.
 - Delivering PRR separately de-risks the Tees Viaduct and should help to secure the overall DfT funding commitment. The risks associated with the impact on the Special Protection Area (protected for birds) and Ramsar

(wetland site designated as internationally important) are limited to the vicinity of the River Tees and the risks associated with the impacts on Portrack Marsh are removed. Both DfT and Highways England have expressed concerns around these issues so dealing with them separately as part of PRR is considered a sensible approach. Stockton-on-Tees Borough Council is actively managing these risks as part of the PRR development.

16. The OBC will need to go through the DfT assurance and approval process.

FINANCIAL IMPLICATIONS

17. Cabinet has previously approved a maximum allocation of £24m from the TVCA Investment Plan as a local contribution to the new A19 Tees Crossing.
18. TVCA has provided Stockton-on-Tees Borough Council with £900K of advanced funding to progress PRR to the point at which they are able to appoint a contractor to deliver the scheme.
19. The DfT position means that there is now a requirement for an additional £11.5m to fully fund delivery of PRR and provide a fixed local contribution to the Tees Viaduct, which makes a total contribution of £35.5m. Further detail on the Tees Viaduct cost estimate and local contribution is included in **Appendix 1**.
20. The funding has been earmarked to come from the next round of devolved transport funding announced by Government in the 2020 Budget that is due from 2022/23. TVCA is using the Transport Investment Prospectus, previously approved by Cabinet on the 29th May 2020, to try and secure the best possible deal from this allocation. The TVCA allocation and any conditions attached to the funding are therefore still to be confirmed.
21. There is likely to be a need to commit further funding to PRR in advance of 2022/23, but this is manageable within the overall transport theme of the Investment Plan.

LEGAL IMPLICATIONS

22. TVCA will not be party to the arrangement for delivery of the Tees Viaduct as this will be between DfT and Highways England. There will be a funding agreement in place with Stockton-on-Tees Borough Council in relation to the delivery of PRR.

RISK ASSESSMENT

23. The Tees Crossing project is considered low to medium risk at this stage. In terms of the Tees Viaduct, it is anticipated that Highways England will be responsible for delivery and DfT has confirmed that TVCA is not expected to carry the risk of any cost increase. Furthermore, TVCA is offering a fixed local contribution based on the updated cost estimate included in the revised OBC. The risks in relation to delivery of PRR are being actively managed by Stockton-on-Tees Borough Council, but the risk of cost increase will sit with TVCA and this will be subject to appropriate due diligence checks at appraisal on designs, cost certainty and contingency.

CONSULTATION & COMMUNICATION

24. The item has been discussed at the Tees Valley Management Group and Tees Valley Chief Executives Group, and project updates have been regularly provided to the Cabinet Portfolio Holder for Transport and Transport Committee.

EQUALITY & DIVERSITY

25. An assessment of the impacts of the scheme on different social groups has been undertaken and is set out in the OBC. There will be an overall benefit to anyone using the A19 and there is not considered to be any material negative impact on any of the protected characteristics.

LOCAL ENTERPRISE PARTNERSHIP

26. The item has been considered by the LEP in advance of it coming forward to Cabinet.

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Appendix 1 – latest position in relation to on-going discussions with DfT – CONFIDENTIAL