

GFirst Local Enterprise Partnership

LEP Board Paper – 10th October 2017

1. Agenda Item **XX : Growth Deal - Project Approval: A419 corridor (Stonehouse) Improvements**

2. What is this item for:

The Board is asked to:

- 1) Approve the offer of a formal funding award of £4.36M, post due diligence, for the A419 Improvements, Stonehouse.
- 2) Approve the preparation of the final funding agreement for the A419 Improvements, Stonehouse.

3. Background:

The £4.36m Stonehouse A419 Improvements project consists of improvements at a number of roundabouts, signalised junctions and other locations along the A419 between Stroud and the M5 Junction 13 which have been identified as pinchpoints within the existing network. These improvements are required to facilitate anticipated traffic growth on the corridor in the future.

The scheme has been modelled based upon anticipated levels of future traffic growth. This indicates that the scheme will achieve journey time savings of ca. 2 minutes for traffic travelling westbound and 1 minute 20 seconds for traffic travelling eastbound during the AM peak, with equivalent time savings also in the PM peak.

The calculation of journey time savings for the users of this scheme equated to a present value of £63m to the local economy over a 60 year appraisal period, with a benefit to cost ratio of 18/1. The scheme is therefore considered to represent high value for money^[1].

4. Risks / Issues:

A summary of the Business Case assessment undertaken and the issues identified is given below.

To ensure an appraisal approach proportionate to the scale and nature of this scheme it was agreed at the appraisal specification stage that some elements of the environmental appraisal of this scheme could be deferred until after the Final Business Case alongside the development of final designs as long as any risks associated with this were considered and costed within the risk assessment. It is recommended that this environmental appraisal (to be completed by June 2018), as well as any subsequent permits or approvals (if required)

^[1] Please note that the methodology used does not consider the potential for traffic to reroute away from the congestion identified in the Do Minimum scenario or for additional traffic to be induced to the corridor in the Do Something scenario, which would potentially reduce the journey time savings currently modelled and hence the economic benefits. Despite this issue and considering the scale of benefits predicted it is considered that the scheme will continue to achieve High value for money.

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will be included as milestones in the funding agreement. It is also recommended that a condition is included within the funding agreement so that funding can be clawed back as required should such approvals be rejected.

GCC Cabinet approval is needed to confirm GCC commitment to the funding of any cost increases and future ongoing maintenance. GCC will seek Cabinet approval in November 2017.

5. **Recommendations:**

The scheme Business Case and Assessment Report were presented to the LEP Investment Panel on the 26th of September 2017. The Panel discussed the scheme with the scheme promoter and officers from the LEP and the Accountable Body team and recommended that the Board:

- a) Approve the offer of a formal funding award, of £4.36m, post due diligence and business case assessment, for the A419 corridor (Stonehouse) Improvements project.
- b) Authorise GCC as the Accountable Body to prepare the final Heads of Terms for the release of the funding, in line with the Delegated Scheme Agreement between the LEP and GCC and noting the conditions and recommendations indicated under 4 above and in the executive summary of the accompanying due diligence and business case assessment report.

Summary of Business Case Assessment

Please refer to the due diligence and business case assessment report supplied with this covering paper.

Table 1: Assessment of the Strategic Case for the Scheme

Criteria	RAG Status	Assessment
Have they indicated what changes have been made to the scheme since that described in the SOC, OBC or Growth Deal Business Case Proposal?	Pass	Document discusses the options that have been considered, the modelling undertaken on these and the preferred option identified.
Does the scheme still deliver the objectives stated at the previous stage?	Some issues identified, but not considered critical.	Objectives from the growth deal pro-forma SEP proposal are discussed. These were established for a package of schemes and not all of these are relevant to this specific scheme. Although the business case does not clearly evidence how the scheme contributes towards all of the identified objectives, e.g. facilitating the delivery and growth of the GREEN initiative at Berkeley we are satisfied that the scheme contributes to the objectives relevant to it.
Have they indicated the approach that has been taken to modelling the economic and financial impacts of the scheme?	Pass	The approach to modelling is discussed. Approach to economic appraisal is discussed within Economic Case.
Is the approach utilised considered appropriate to the impacts and scale of impacts anticipated?	Some issues identified, but not considered critical.	Approach is considered appropriate. Trip distribution and growth is fixed, therefore any additional trips which may in reality be generated by the additional capacity created are not assessed, which may understate some elements of the environmental appraisal and overstate some of the benefits. However, as discussed in relation to the economic case we are satisfied that the benefits achieved still represent value for money.

Table 2: Assessment of the Economic Case for the Scheme

Criteria	RAG Status	Assessment
Has an Appraisal Summary Table been provided?	Pass	An AST table has been provided
Is sufficient evidence presented to justify the scores given, considering the scale of benefits anticipated and the importance of these for the strategic case for the scheme?	Some issues identified, but not considered critical.	There is sufficient evidence to justify the key elements making up majority of the benefits of the scheme. Other elements are less well evidenced and there is some inconsistency between the scores given in the AST table and supporting text.
Are the scores given considered accurate and appropriate?	Some issues identified, but not considered critical.	Scores are generally considered accurate and appropriate. Some inconsistency existing between the AST table and supporting text.
Does the scheme score positively against the majority of AST categories?	Pass	Currently scores positively against 10 criteria, neutral against 10 and negative against 3 criteria, indicating that more beneficial impacts are predicted than negative ones.
What negative impacts are predicted and what are the consequences of these?	Some issues identified, but not considered	Negative impacts include noise impacts for some sensitive receptors, some worsening of local air quality, but at imperceptible levels, some loss of vegetation at Chapman's Platt Rdbt and at Downton

Criteria	RAG Status	Assessment
	critical.	Rd to Horsetrough Rdbt some tree loss would occur. A reduction in indirect tax revenues is anticipated to result from the reduction in vehicle operating costs predicted.
Are any additional negative consequences predicted that have not been included within the AST assessment?	Pass	Further discussions are planning regarding the most appropriate approach to the relocation of the horse trough. The relocation of this may not be well received by local people, although the scheme promoters will seek to minimise this impact as part of the development of final designs.
Have they included a calculation of the BCR for the project?	Pass	Yes
Is the BCR calculation considered accurate, robust and appropriate to the scale and nature of the project?	Some issues identified, but not considered critical.	The BCR calculation is considered accurate based upon the modelling methodology adopted, which does not account for released travel demand effects or the rerouting of traffic. This may lead to the stated benefits being somewhat over stated. Project lifetime costs have been assumed as a net zero impact in this calculation.
Does this indicate that the scheme represents value for money?	Pass	Current BCR indicates that the scheme represents very high value for money, but benefits may be somewhat overstated as discussed above. The potential scale of impact of these factors has been considered against the scale of benefits predicted, indicating that the scheme would continue to represent high value for money despite these issues.

Table 3: Assessment of the Financial Case for the Scheme

Criteria	RAG Status	Assessment
Have the latest financial costs been provided? Are these presented in current prices?	Pass	A financial case breakdown is provided. Costs are in current prices.
How do these costs compare to previous estimates?	Pass	Costs have reduced slightly from that previously stated.
Have they outlined the additional elements which make up the whole life costs of the scheme?	Pass	Traffic related maintenance costs are included.
Have they included the expected non-LEP funding sources and the status of these contributions	Pass	The project would be fully funded with the LEP contribution only. GCC would be responsible for financing any cost over-runs.
Is sufficient certainty provided regarding the funding of the scheme?	Pass	As LEP funds are the only indicated source of funding sufficient funding certainty exists. GCC cabinet approval should be sought (including Section 151 officer sign off) for potential cost over-runs. This should be set as a condition of funding release.

Table 4: Assessment of the Commercial Case for the Scheme

Criteria	RAG Status	Assessment
Have they indicated the income that is predicted to be generated by the scheme? How does this compare to previous predictions?	Pass	No income is anticipated to be generated directly by the scheme.

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Is income generated sufficient to ensure the long-term viability of the scheme?	Pass	Maintenance costs would be covered by existing GCC budgets, ensuring the long-term viability of the scheme.
Has a procurement strategy been provided?	Pass	Three options have been considered for procurement of the scheme, the preferred of which is through open tender.
Is the procurement strategy appropriate to the nature of the scheme? Does it ensure the correct balance of risk is allocated between the scheme promoter and contractor?	Some issues identified, but not considered critical.	Currently indicates that GCC as scheme sponsor would be responsible for any cost increases. Consideration should be given for whether it would be appropriate for the contractor to take on some of this risk within the chosen tender arrangements.

Table 5: Assessment of the Management Case for the Scheme

Criteria	RAG Status	Assessment
Are plans provided for how the scheme will be designed and constructed?	Pass	Detailed designs and a discussion of the design and construction methodology is provided.
Are these plans considered appropriate to the scheme?	Pass	The scheme will be designed to design standards and using standard construction methods which are appropriate to the scheme.
Have they included information on the legal powers that are needed to construct the scheme?	Some issues identified, but not considered critical.	The scheme is located entirely within highway land and no approvals are therefore anticipated to be required at this point. Environmental assessment work is not currently finalised, therefore there is a potential for additional permits or approvals to be required within this area, which have been factored into the risk assessment and will need to be caveated as part of the legal agreement.
Have they stated how will these powers be obtained?	Pass	None anticipated to be required at this time.
Have they indicated the results of public and stakeholder consultation activities?	Pass	The outcome of public share events and stakeholder consultation undertaken in July 2017 are discussed.
Has the scheme been altered to satisfactorily reflect the consultation responses received?	Pass	A table is provided indicating the modifications that have been made or will be considered in the final design of the scheme. Some consultees were concerned that the scheme will not go far enough in addressing the problems, but this is constrained by available budgets.
Have they detailed the key risks in terms of impacts on delivery timescales?	Pass	A detailed risk register has been provided which indicates the potential timescale impacts of identified risks.
Have they detailed how the risks will be managed / mitigated?	Pass	Current controls are discussed
Has a Quantified Risk Assessment (QRA) been provided?	Pass	The expected, maximum and minimum cost of identified risks is discussed. Anticipated risk exposure is less than the contingency identified.
Have all key risks been identified, sufficiently mitigated and quantified?	Pass	Risk register includes risk related to S106 agreements which does not seem relevant to this project. Risk register appears comprehensive.
Have they included the governance arrangements that will enable the scheme to be delivered including the key named individuals and their roles?	Some issues identified, but not considered critical.	A project management structure is provided with named individuals. Project governance arrangements are discussed, although additional details regarding responsibilities and approvals processes would have been beneficial.

Criteria	RAG Status	Assessment
Have they outlined the planned project programme for delivery of the scheme including a GANTT chart	Pass	A GANTT chart is provided as an appendix with key milestones reported within the main document.
Is the programme considered realistic and viable?	Some issues identified, but not considered critical.	The programme for detailed design and construction appears realistic and deliverable. It is not clear whether any required environmental mitigation would be delivered within these timescales. The programme assumes no further approvals; however there is a possibility of further environmental approvals being required. This should be caveated within the funding agreement.
Does the programme facilitate completion of the project within the LEP funding period?	Pass	Programme assumes completion of the project by the end of November 2019, well within the LEP funding period
Have they included the proposed Benefits Realisation strategy?	Some issues identified, but not considered critical.	A basic benefit realisation strategy is provided. Additional details would have been beneficial on the actions that will be undertaken external to the project to ensure that the benefits of the scheme are realised - i.e. avoiding any other negative impacts on the network in the area, particularly in relation to planned development.
Have they identified how the benefits be monitored and evaluated?	Some issues identified, but not considered critical.	Some monitoring activities have been identified associated with identified project benefits, however further consideration should be given to how these align with the objectives of the scheme to ensure that sufficient monitoring is in place to evaluate whether the objectives have been achieved.
Are monitoring and evaluation activities considered appropriate to the scale and nature of the project?	Some issues identified, but not considered critical.	Further consideration should be given to the precise metrics that will be used to monitor the impacts of the scheme and the baseline conditions against which the scheme will be assessed post completion.

Summary of Due Diligence Checks

A series of Due Diligence Checks have also been undertaken against the criteria set out as part of the GFirst LEP Assurance Framework on the Due Diligence process. This included information on the Strategic, Financial and Economic Case for the scheme, as well as the planned processes for the delivery and management of the scheme.

Across all criteria it was considered that the planned scheme and its intended delivery and management processes were sufficient to ensure the intended project outputs and outcomes are delivered. One condition of approval was identified as part of this process, which is discussed below.

6. Further information:

Further information on the scheme, including public share displays and the Full Business Case can be found on the scheme website: <http://www.gloucestershire.gov.uk/roads-parking-and-rights-of-way/major-projects/stonehouse-a419-improvements/>

Further information will be presented at the meeting or is available from Neil Hopwood (Neil.Hopwood@gfirstlep.com)