

GFirst Local Enterprise Partnership

LEP Board Paper – 13th December 2016

1. Agenda Item 4a : Growth Deal - Project Approval: A40 Over Roundabout Improvements

2. What is this item for:

To make a recommendation to the LEP Board meeting on the 13th of December 2016 confirming the decisions required to be taken by the Board regarding the due diligence and business case assessment report.

3. Background:

The £2.35m Over Roundabout Improvements project consists of the widening of two of the approaches to the existing Over roundabout to three lanes, as well as the provision of a third circulatory lane to the roundabout itself. These improvements seek to reduce queuing at the junction, improving vehicle journey times along the A40 and A417 and improving journey time reliability. These improvements will build upon the work already undertaken by Gloucestershire County Council in 2009 and Highways England in 2015 to widen the A40 western approach to the roundabout and seek to future proof the junction against future growth in traffic levels.

The need for improvements to the bottleneck on the A40 between the Forest of Dean and the M5 Growth Zone is clearly stated in the LEP's Strategic Economic Plan which refers to a business survey highlighting such problems. As populations in the Forest of Dean and along the A40 corridor increases and the economy grows the need to alleviate traffic congestion is an imperative and failure to address this could put a brake on economic growth and on the desirability of Gloucestershire as a place to live, work and invest in. Addressing congestion will attract businesses and enable employers to access skilled workforces living in attractive parts of the county. The clear economic benefits of the scheme are also reflected in its strong Benefit Cost ratio of 4.77 over a 60 year appraisal period, and the appraisers assessment that the scheme represents high value for money.

4. Risks / Issues:

A summary of the Business Case assessment undertaken and the issues identified is given below. A key risk identified is that due to the significant potential for anticipated scheme costs to escalate following the tendering process and the outstanding confirmation of the agreement in principal that HE would cover the maintenance obligation it is recommended that sufficient conditions are put in place as part of the Funding Agreement to allow the LEP to postpone or revoke funding should the scheme become unaffordable, undeliverable or significant changes be made to the scheme to the extent that the planned scheme does not deliver upon its stated objectives as outlined within the Full Business Case document.

Because the scheme involves work on the HE network, it is further recommended that the release of the funding is made conditional upon a completed Section 6 Agreement between Gloucestershire County Council and Highways England due to be signed in December 2016.

5. Recommendations:

The scheme Business Case and Assessment Report were presented to the LEP Investment Panel on 22nd November 2016. The Panel discussed the scheme with the scheme promoter and the accountable body officer leading on its independent assessment and recommended that the Board:

- a) Approve the offer of a formal funding award, of £2.23m, post due diligence and business case assessment, for the A40 Over Roundabout 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	Assessment	RAG Status
Have they indicated what changes have been made to the scheme since that described in the SOC or Growth Deal Business Case Proposal?	Outlines the rationale by which a preferred option has been identified. Indicates that although signals will not be provided the widening would include provision so that signals could be retrofitted at a later date if required.	Pass
Does the scheme still deliver the objectives stated at the previous stage?	Current objectives have changed from those identified in the Strategic Outline Case, but it is considered that the scheme continues to meet the previously set objectives.	Pass
Have they indicated the approach that has been taken to modelling the economic and financial impacts of the scheme?	Some information is provided on the approach utilised to modelling the scheme in the strategic case, with additional basic information provided within the economic case. Approach has been to utilise observed traffic counts as the basis for a junction model. This has been updated to reflect the impact of the scheme and the estimated delays used to quantify the economic benefits of the scheme.	Some issues identified, but not considered critical to the overall business case for the scheme
Is the approach utilised considered appropriate to the impacts and scale of impacts anticipated?	The approach utilised assumes no change in demand or rerouting of traffic resulting from the improvement. This assumption is considered reasonable for a scheme of this nature.	Pass

Table 2: Assessment of the Economic Case for the Scheme

Criteria	Assessment	RAG Status
Has an Appraisal Summary Table been provided?	All required elements have been assessed	Pass
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?	Quantified evidence is presented for the likely journey time impacts of the scheme and the noise and air quality impacts. Qualitative assessments are provided for the other impacts but as these impacts are considered to be slight this is considered appropriate to the scale of the scheme.	Pass
Are the scores given considered accurate and appropriate?	Scores are generally considered accurate and appropriate.	Pass
Does the scheme score positively against the majority of AST categories?	Scheme scores positively or neutrally against all but one criteria. Air quality is unlikely to be affected. The completed scheme will avoid an increase in carbon emissions due to a reduction in journey times for most users. The scheme will have a small negative impact on landscape (due to the sheet piling). There will be no impact on any watercourses.	Pass
What negative impacts are predicted and what are the consequences of these?	A slight negative impact is identified in relation to the landscape impacts of the scheme due to the additional carriageway width, leading to an increase in the urbanised feel of the area.	Pass

Agenda Item 4a

Criteria	Assessment	RAG Status
Are any additional negative consequences predicted that have not been included within the AST assessment?	No other negative impacts were predicted	Pass
Have they included a calculation of the BCR for the project?	A BCR calculation is presented which relates to the journey time benefits of the scheme only.	Pass
Is the BCR calculation considered accurate, robust and appropriate to the scale and nature of the project?	The BCR calculation only considers the journey time impacts of the scheme and does not take account of any potential increase in trip demand or rerouting, which could affect the scheme benefits. Other quantifiable impacts, such as greenhouse gas and tax impacts are also excluded. However, given the scale of benefits indicated based upon journey times alone it is considered that the calculation is sufficiently accurate to demonstrate that the scheme represents value for money.	Pass
Does this indicate that the scheme represents value for money?	See above, despite limitations in the BCR calculation approach it is considered that the scale of benefits estimated demonstrates that the scheme is likely to represent high value for money.	Pass

Table 3: Assessment of the Financial Case for the Scheme

Criteria	Assessment	RAG Status
Have the latest financial costs been provided? Are these presented in current prices?	Financial costs are provided split by task and indicating the year in which these costs are related.	Pass
How do these costs compare to previous estimates?	Costs are unchanged from previous estimates	Pass
Have they outlined the additional elements which make up the whole life costs of the scheme?	An estimate of the maintenance costs associated with the additional carriageway is provided. These would be covered by existing GCC maintenance budgets and HE for the element related to HE carriageway. A zero commuted sum payment has been agreed in principal with HE, meaning that HE would cover this maintenance obligation from its funds. This will be confirmed in December 2016.	Pass
Have they included the expected non-LEP funding sources and the status of these contributions	S106 funds of £120k have been secured from the Longford Housing Development. These funds are held by GCC.	Pass
Is sufficient certainty provided regarding the funding of the scheme?	Longford Housing Development S106 funds are held by GCC.	Pass

Table 4: Assessment of the Commercial Case for the Scheme

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

Agenda Item 4a

If income is generated is this sufficient to ensure the long-term viability of the scheme?	No income is required for the long term viability of the scheme.	Pass
Has a procurement strategy been provided?	The options considered for procurement of a contractor are discussed. The preferred option is for an open tender procured via ProContract.	Pass
Is the procurement strategy appropriate to the nature of the scheme? Does it ensure the correct balance of risk is allocated between the scheme sponsor and contractor?	The preferred option is an emerging cost lump sum contract. This approach ensures that the contractor takes on some of the risk of ensuring the project is delivered to time and budget.	Pass

Table 5: Assessment of the Management Case for the Scheme

Criteria	Assessment	RAG Status
Are plans provided for how the scheme will be designed and constructed?	The scheme will be constructed to design standards and will involve standard construction methods.	Pass
Are these plans considered appropriate to the scheme?	The proposed approach follows standard practice and is considered to be appropriate for this scheme.	Pass
Have they included information on the legal powers that are needed to construct the scheme?	All works are within the highway boundary; therefore no land acquisition is required. A Section 6 agreement is required due to the scheme involving work on the HE network. It is intended for this to be agreed in December 2016. It is recommended that sufficient conditions are placed within the funding agreement should this agreement not be possible.	Pass
Have they stated how these powers will be obtained?	A S6 agreement will be signed between HE and GCC in December 2016.	Pass
Have they indicated the results of public and stakeholder consultation activities?	Two public share events were held. Feedback has been provided and responses to the comments received are included within the business case. In some instances consideration will be given to these comments in determining appropriate designs. The stakeholder consultation activities undertaken and planned are also discussed.	Pass
Has the scheme been altered to satisfactorily reflect the consultation responses received?	No major objections were received. Consideration will be given to the comments received from the public and stakeholders in determining the final designs for aspects such as road markings and signage.	Pass
Have they detailed the key risks in terms of impacts on delivery timescales?	A project risk register is provided. This indicates the key project risks and the impacts of these on project timescales and costs.	Pass
Have they detailed how the risks will be managed / mitigated?	Controls are in place to mitigate the risks that are identified.	Pass
Has a Quantified Risk Assessment (QRA) been provided?	Quantified minimum and maximum costs are identified by risk item.	Pass
Have all key risks been identified, sufficiently mitigated and quantified?	Risk register includes risks that are now considered to have past, however the identified risks are considered comprehensive and suitably mitigated.	Pass
Have they included the governance arrangements that will enable the scheme to be delivered including the key named individuals and their roles?	Named individuals and roles identified as well as meetings and reporting processes	Pass

Agenda Item 4a

Criteria	Assessment	RAG Status
Have they outlined the planned project programme for delivery of the scheme including a GANTT chart	Key project dates are indicated as well as a GANTT chart programme provided within an appendix.	Pass
Is the programme considered realistic and viable?	The indicated programme is considered realistic and viable. Construction is not programmed to commence until January 2018, however this is due to the desire to avoid multiple overlapping works on the A40, primarily relating to the Elmbridge construction works and should a suitable window of opportunity be available there is scope for construction to be brought forward.	Pass
Does the programme facilitate completion of the project within the LEP funding period?	Based upon the current assumed construction start date works would be complete well within the LEP funding period.	Pass
Have they included the proposed Benefits Realisation strategy?	A table is provided indicating some of the actions that will be undertaken during project delivery to ensure the project benefits are realised. This could be strengthened to align more strongly with the intended benefits of the scheme.	Some issues but not considered critical to the overall case for the scheme
Have they identified how the benefits will be monitored and evaluated?	Monitoring activities related to the project outputs and outcomes are identified.	Pass
Are monitoring and evaluation activities considered appropriate to the scale and nature of the project?	A basic set of monitoring activities has been identified, with some baseline data presented, although this does not particularly align with the identified monitoring activities. Ahead of construction a baseline evidence base should be created, which can utilise evidence presented elsewhere in this report. A set of monitoring activities should also be identified and scheduled into the programme to assess the outturn performance of the scheme.	Some issues but not considered critical to the overall case for the scheme

Summary of Due Diligence Checks

A series of Due Diligence Checks have 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. Two proposed conditions of approval were identified as part of this process, which are discussed under 4 above.

6. **Further information:**

Further information on the scheme, including the Full Business Case can be found on the scheme website:

<http://www.gloucestershire.gov.uk/a40over>

The Strategic Outline Case for the scheme can be accessed here:

<http://www.gltb.org.uk/article/118366/Strategic-Outline-Cases>

Further information will be presented at the meeting or is available from Pete Carr (peter.carr@gfirstlep.com)