

GFirst Local Enterprise Partnership

LEP Board Paper – 04th October 2016

1. Agenda Item 9 : Growth Deal - Project Approval: Metz Way to Abbeymead Avenue Improvements

2. What is this item for:

To confirm the decisions required to be taken by the Board regarding the due diligence and business case assessment report.

3. Background:

The £1.6m Metz Way to Abbeymead Avenue Improvements project consists of a series of junction, cycle and walking links and pedestrian crossing improvements undertaken along the length of A4302 Metz Way/Abbeymead Avenue in Gloucester with the aim of reducing congestion and traffic queuing, improving bus journey time reliability, improving provision along the route for pedestrians and cyclists and reducing the severance issues presented by the corridor for local populations. The improvements seek to help facilitate the Coopers Edge Development of 1400 dwellings currently under construction at the south eastern edge of Gloucester.

The assessment report concludes that the scheme represents good value for money with a strong Benefit Cost ratio of 4.39 over a 60 year appraisal period.

4. Risks / Issues:

A summary of the Business Case assessment undertaken and the issues identified is given below. A key risk identified is that as a supplier tendering process has not yet been undertaken and because the result of a Deed of Variation in relation to the developer contribution to the scheme is awaited there is a potential for scheme costs to increase beyond that currently estimated and potentially beyond the level of funding currently earmarked for the scheme. It is recommended that sufficient conditions are put in place as part of the Funding Agreement to allow the LEP to defer or revoke funding should the scheme become unaffordable 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.

It was also identified, that the works at North Upton Lane requires 3rd party land. Gloucester County Council legal department are progressing this with the intention of adopting the areas via a Dedication Agreement, envisaged to be completed in January 2017. This will provide the necessary rights to access for the works and avoid a lengthy conveyancing process. It is recommended that a condition is put in place to ensure that this Dedication Agreement is completed and legal rights to access all 3rd party land required are in place before Local Growth Fund Funding is released.

5. Recommendations:

The scheme Business Case and Assessment Report were presented to the LEP Investment Panel on 20th September 2016. The Panel discussed the scheme with the scheme promoter and the independent assessor and recommend that the Board:

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- a) Approve the offer of a formal funding award, of £0.5m, post due diligence and business case assessment, for the Metz Way to Abbeymead Avenue 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?	Whilst no comprehensive information on the changes made to the scheme is provided within the strategic case the options considered and the preferred options to be taken forward are discussed in the economic case. The changes made to the scheme as a result of consultation are also discussed in the management case.	Pass
Does the scheme still deliver the objectives stated at the previous stage?	Discussion is provided on why the scheme has been changed to benefit all users as opposed to focusing on buses. The scheme should still benefit buses/bus users and hence achieves its originally stated objectives.	Pass
Have they indicated the approach has been taken to modelling the economic and financial impacts of the scheme?	Information on the approach utilised is provided within the economic case.	Pass
Is the approach utilised considered appropriate to the impacts and scale of impacts anticipated?	The approach adopted is appropriate to the scheme scale and nature.	Pass

Table 2: Assessment of the Economic Case for the Scheme

Criteria	Assessment	RAG Status
Has an Appraisal Summary Table been provided?	An AST Table is provided.	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?	A mixture of quantitative and qualitative assessments is provided. This is appropriate to the scheme scale and nature.	Pass
Are the scores given considered accurate and appropriate?	Scores in general appear realistic. Severance benefits are considered to have been under reported.	Pass
Does the scheme score positively against the majority of AST categories?	Scheme scores positively against 9 criteria and neutral against the remainder once identified mitigation measures are factored in.	Pass
What negative impacts are predicted and what are the consequences of these?	Negative impacts include vegetation clearance affecting the landscape setting. A badger sett has been identified which will require the badgers to be relocated if still active. A management plan is in place to mitigate this issue.	Pass
Are any additional negative consequences predicted that have not been included within the AST assessment?	No additional negative impacts are anticipated	Pass
Have they included a calculation of the BCR for the project?	A BCR calculation is provided for the two major junction improvements with quantifiable journey time benefits. Additional consideration has been included with regard to reliability benefits.	Pass
Is the BCR calculation considered accurate, robust and appropriate to the scale and nature of the project?	Approach to calculation of BCR is considered appropriate to the scale and nature of the scheme.	Pass

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Criteria	Assessment	RAG Status
Does this indicate that the scheme represents value for money?	Quantified benefits indicate a very high value for money. There are no predicted significant or slight negative impacts within the qualitative assessment areas, therefore the scheme is considered to represent 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?	A financial cost breakdown is provided including the years in which these costs are accrued.	Pass
How do these costs compare to previous estimates?	A cost increase of £0.1m is identified; this is covered by an increased contribution from Coopers Edge development. The LEP contribution requested remains unchanged.	Pass
Have they outlined the additional elements which make up the whole life costs of the scheme?	An assessment of annual maintenance costs has been provided in addition to a breakdown of the scheme construction and design costs.	Pass
Have they included the expected non-LEP funding sources and the status of these contributions	The status of Coopers Edge S106 moneys is discussed with indication of the anticipated contributions by year.	Pass
Is sufficient certainty provided regarding the funding of the scheme?	Advanced payment of a portion of the 3rd party contribution to the scheme has already been received. A Deed of Variation is currently being processed to be complete in January 2017 which will confirm final funding. A condition of approval of LEP funding should be included in relation to securing this contribution.	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 generation is predicted	Pass
If income is generated is this sufficient to ensure the long-term viability of the scheme?	N/A	Pass
Has a procurement strategy been provided?	Procurement options considered and a preferred option identified consisting of delivery via open tender.	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?	Procurement would be on a lump sum basis with an activity schedule. This limits the risk to GCC of the consequences of cost and programme overruns although tender prices may be higher than currently predicted.	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?	An outline of the planned process is provided. The scheme will utilise standard construction practices following local and national design standards.	Pass
Are these plans considered appropriate to the scheme?	Proposed approach is in line with standard practice	Pass
Have they included information on the legal powers that are needed to construct the scheme?	Information on legal powers required is included. Access to 3 rd party land and Natural England approval of badger mitigation strategy are the only areas where legal powers are/may be required.	Pass
Have they stated how these powers will be obtained?	Approach to achieving legal powers is provided including anticipated timescales for this.	Pass
Have they indicated the results of public and stakeholder consultation activities?	Results of public share event discussed. Table provided indicating stakeholder consultation approach and those activities which have been completed or are planned.	Pass
Has the scheme been altered to satisfactorily reflect the consultation responses received?	Table provided to indicate how public consultation input has shaped the scheme. No information provided on how/whether stakeholder feedback resulted in any changes to the scheme.	Some issues but not considered critical to the overall case for the scheme
Have they detailed the key risks in terms of impacts on delivery timescales?	A risk register is provided	Pass
Have they detailed how the risks will be managed / mitigated?	Risk mitigation controls indicated within risk register	Pass
Has a Quantified Risk Assessment (QRA) been provided?	Minimum, expected and maximum cost estimates are provided associated with financial risks within risk register. No calculation of overall risk exposure is provided.	Pass
Have all key risks been identified, sufficiently mitigated and quantified?	All key risks have been identified and sufficiently mitigated. Quantified cost ranges provided.	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
Have they outlined the planned project programme for delivery of the scheme including a GANTT chart	Key project milestones and Gantt chart provided.	Pass
Is the programme considered realistic and viable?	The proposed programme appears realistic and viable.	Pass
Does the programme facilitate completion of the project within the LEP funding period?	Programme indicates scheme completion in August 2017. This is within growth fund period.	Pass
Have they included the proposed Benefits Realisation strategy?	A table is provided indicating the actions that will be undertaken to seek to ensure planned benefits are realised. This is not considered comprehensive, but does indicate some of the activities that could be undertaken to ensure benefits are realised.	Some issues but not considered critical to the overall

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Criteria	Assessment	RAG Status
		case for the scheme
Have they identified how the benefits will be monitored and evaluated?	Table provided containing targets aligned to the project objectives and data sources to be utilised. Appropriate count sites have been identified in some instances. Some confusion regarding terminology, but proposed data sources appear appropriate.	Some issues but not considered critical to the overall case for the scheme
Are monitoring and evaluation activities considered appropriate to the scale and nature of the project?	Monitoring and Evaluation activities appear appropriate to the scheme scale, although additional details would be beneficial to allow proposed monitoring and evaluation activities to be planned for and arranged. A base year report should be produced in the near future ahead of scheme construction summarising the baseline evidence base and detailing the specification for future data collection.	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. One proposed condition of approval was identified as part of this process, which is 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/metzway>

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)