

GFirst Local Enterprise Partnership

LEP Board Paper – 12th December 2017

1. **Agenda Item 5ii : Growth Deal - Project Approval: Cheltenham Spa Station (Phase 1)**

2. **What is this item for:**

The Board is asked to:

- 1) Approve the offer of a formal funding award of £ 1.497M, post due diligence, for the Cheltenham Spa Phase 1 scheme.
- 2) Approve the preparation of the final funding agreement for the Cheltenham Spa Phase 1 scheme.

3. **Background:**

Great Western Railway are seeking a £ 1.497m Growth Fund contribution to their £5.48m Cheltenham Spa Phase 1 scheme which consists of a decked car park, improvements to the station forecourt, a shared use access ramp to the station from Lansdown road and the provision of accessible lifts within the station itself. These improvements form the first phase of a wider masterplan to comprehensively upgrade the facilities at Cheltenham Spa station.

The scheme represents value for money primarily due to the additional revenues generated by the scheme, initially increasing revenue to the train operating company. This additional revenue would benefit the national economy through the transfer of train operating company profits to national government as part of the franchise arrangements, with a portion of this revenue available to be reinvested within Gloucestershire.

The scheme would also have benefits through journey time savings which equated to a present value of £7.2m to the local economy over a 60 year appraisal period. It has a benefit to cost ratio of 5/1 and is therefore considered to represent very high value for money.

The scheme would also have accident, greenhouse gas and journey time reliability benefits which contribute towards the quantified economic value for money of the scheme.

4. **Risks / Issues:**

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

Evidence is provided to support each of the non-LEP funded elements of the scheme. It is noted that a number of caveats and approval milestones are associated with each contribution. However, LEP funding has been earmarked to fully cover the cost of deliver of the station forecourt improvements and hence there is certainty regarding the LEP funded element of the scheme.

It is also recommended that funding approval would be subject to the following conditions:

- 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 and a Landscaping and Biodiversity Plan 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) 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.
- GWR are seeking confirmation from Cheltenham Borough Council that the scheme constitutes a Permitted Development and hence does not require Planning Permission. This decision is anticipated in January 2018. A condition of funding approval should be included to confirm that the scheme is Permitted Development and if not that Planning Permission is received ahead of the release of LEP funds.
- Network Rail operate as Landlord of the station and a Network Rail landlord consent is required before any alterations can be made to the station. Network Rail would also need to approve inclusion of additional areas of land within the station lease before land clearance can commence. In addition to these approvals from Network Rail, GWR will need to obtain Station Change approval from the Office of Rail and Road. As these approvals are required and would stop or delay implementation of the scheme it is recommended that a conditional of approval is included within the LEP funding agreement in relation to receipt of all three of these approvals, which are indicated to be due in April 2018.

5. Recommendations:

The scheme Business Case and Assessment report were presented to the LEP Investment Panel on the 28th of November 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 £1.497m, post due diligence and business case assessment, for the Cheltenham Spa Station Phase 1 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	The FBC indicates how the contents of the scheme have changes since the SOC and the rationale for this.
Does the scheme still deliver the objectives stated at the previous stage?	Pass	The current scheme continues to meet previously identified objectives.
Have they indicated the approach that has been taken to modelling the economic and financial impacts of the scheme?	Pass	Approach to appraisal is discussed in the main document, with additional details provided in the modelling and appraisal appendix.
Is the approach utilised considered appropriate to the impacts and scale of impacts anticipated?	Pass	Economic appraisal approach is appropriate. Sensitivity testing has been undertaken to confirm the value for money of the scheme given different growth, cost and service levels.

Table 2: Assessment of the Economic Case for the Scheme

Criteria	RAG Status	Assessment
Has an Appraisal Summary Table been provided?	Pass	Separate tables are provided for the economic, environmental and social impacts. An AST table is provided as an appendix.
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?	Pass	Scores given are justified by quantified evidence where the scale of benefits justifies this and qualitative assessments are provided for less significant impacts.
Are the scores given considered accurate and appropriate?	Pass	Scores given are considered accurate and appropriate. A cautious approach to the categorisation of benefits has been used, for example - no wider economic benefits are currently reported.
Does the scheme score positively against the majority of AST categories?	Pass	Scheme scores positively against 13 of the 24 criteria assessed, with 6 criteria assessed as a neutral impact. The scheme therefore scores positively against more criteria than the negative impacts predicted.
What negative impacts are predicted and what are the consequences of these?	Pass	Negative impacts are predicted in relation to noise, local air quality, landscape, historic environment and biodiversity (due to the loss of treeline) and impacts on the nearby conservation area affecting the historic environment. A reduction in indirect tax revenues will also result from an overall reduction in car fuel use.
Are any additional negative consequences predicted that have not been included within the AST assessment?	Pass	The assessment of negative impacts is considered comprehensive. No additional negative impacts are predicted.
Have they included a calculation of the BCR for the project?	Pass	An initial BCR of 5.24 is presented which includes journey time and operating cost savings, accident and greenhouse gas reductions. This is Adjusted up to 5.55 based upon additional journey reliability benefits.
Is the BCR calculation considered accurate, robust and appropriate to the scale and nature of the project?	Pass	The BCR calculation follows a standard approach to rail appraisal and is considered appropriate to a project of this scale and nature. Sensitivity testing has been undertaken given

Criteria	RAG Status	Assessment
		different growth, cost and service levels which provides additional assurance as to the robustness of the value for money of the scheme.
Does this indicate that the scheme represents value for money?	Pass	The scheme is indicated to represent Very High value for money. Sensitivity tests have been provided assuming lower levels of population growth and higher costs, which continue to indicate that the scheme would represent High value for money in such a scenario, indicating that the economic case for the scheme is robust.

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	Financial costs are provided in both current and future year prices.
How do these costs compare to previous estimates?	Pass	Costs align with previous estimates.
Have they outlined the additional elements which make up the whole life costs of the scheme?	Pass	Operations, maintenance and renewal costs are discussed and quantified and have been included within economic assessment.
Have they included the expected non-LEP funding sources and the status of these contributions	Pass	Non-LEP contributions are anticipated from GWR, Network Rail and Gloucestershire County Council. The exact scale of some of these sources of funding is not yet determined however evidence has been provided to confirm the status of these contributions and that they will cover the scheme elements indicated.
Is sufficient certainty provided regarding the funding of the scheme?	Pass	Evidence is provided to support each of the non-LEP contributions to the scheme. It is noted that a number of caveats and approval milestones are associated with each contribution. LEP funding has been earmarked to fully cover the cost of delivery of the station forecourt improvements and hence there is certainty regarding this element of the scheme.

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	Income generated by the parking element of the proposals only has been assessed as a conservative approach. This indicates that revenue generated by this element only is sufficient to cover the anticipated operating and maintenance costs of the scheme into the future.
If income is generated sufficient to ensure the long-term viability of the scheme?	Pass	Income predicted to be generated by the car park is sufficient to ensure the long term viability of the scheme.
Has a procurement strategy been provided?	Pass	Procurement arrangements discussed
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?	Pass	Contracts will be let on a lump sum basis ensuring the contractor takes on some of the risks associated with the project.

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	Outline designs for the different elements have been included as an appendix to the main document. Detailed design is still on-going, however the overall approach to the design and construction of each scheme element is discussed.
Are these plans considered appropriate to the scheme?	Pass	Scheme plans appear appropriate although only outline designs are currently available, so are subject to change.
Have they included information on the legal powers that are needed to construct the scheme?	Pass	Approvals required are indicated. Station Change approval will be required from the Office of Rail and Road. The scheme is anticipated not to require Planning Approval as the scheme is anticipated to be a Permitted Development. This will be confirmed with Cheltenham Borough Council in January 2018. A condition of approval should be included in the funding agreement in relation to this confirmation being received or planning approval granted if the scheme is determined not to be a Permitted Development.
Have they stated how will these powers be obtained?	Pass	The programme for all required approvals and legal powers is discussed, with the current status and anticipated timescales indicated. The proposed approach and timescales appear realistic.
Have they indicated the results of public and stakeholder consultation activities?	Pass	Various public and stakeholder activities have been undertaken or are planned in relation to establishing the principle of improving the station, articulation of the problem at the station and the scope under consideration. Responses indicate broad support for the scheme from both stakeholders and the public, although letters of support from stakeholder organisations have not been included to evidence this. As the design process is currently ongoing consultation on the emerging designs is at an early stage. At the time of writing the month long Public consultation activities in relation to the outline scheme designs have been completed. This indicates broad support for the proposals. Some concerns were raised in relation to visual screening, potential light pollution and whether the extra parking provision would be sufficient.
Has the scheme been altered to satisfactorily reflect the consultation responses received?	Pass	Consultation activities are still ongoing and detailed design work is yet to be completed. The document indicates how comments to date will be addressed in the detailed designs.
Have they detailed the key risks in terms of impacts on delivery timescales?	Pass	A risk register has been provided as an appendix, with risks that may impact upon delivery timescales discussed in the main report . Key risks that could impact upon project timescales included the time needed to agree a funding agreement, mitigation measures which may be required in relation to ecological issues and the impacts of unanticipated ground conditions. Risk mitigation activities have been identified to seek to manage these risks.
Have they detailed how the risks will be managed / mitigated?	Pass	Risk mitigation measures are discussed in the risk register
Has a Quantified Risk Assessment (QRA) been provided?	Some issues identified but not considered critical	The financial costs associated with identified financial risks have been quantified. Expected costs total £1,02m. This is greater than the risk contingency of £868k. The scheme promoter would however be responsible for covering any cost increases beyond those currently accounted for.
Have all key risks been identified, sufficiently mitigated and quantified?	Pass	The risk register is considered comprehensive, with appropriate mitigation identified and quantified where appropriate.

Criteria	RAG Status	Assessment
Have they included the governance arrangements that will enable the scheme to be delivered including the key named individuals and their roles?	Pass	Governance arrangements are discussed including those of the LEP, the project Stakeholder Steering Group and the governance process to be followed within GWR. Reporting arrangements are discussed and the roles and responsibilities of key individuals are discussed.
Have they outlined the planned project programme for delivery of the scheme including a GANTT chart	Pass	Key milestones provided within the report with an appendix containing GANTT chart provided.
Is the programme considered realistic and viable?	Pass	Completion planned for March 2019, which is considered viable and realistic.
Does the programme facilitate completion of the project within the LEP funding period?	Pass	Completion of the project by March 2019 would ensure that all funding is spent within the LEP funding period.
Have they included the proposed Benefits Realisation strategy?	Pass	Benefit realisation strategy discussed including steps to ensure stated benefits are realised.
Have they identified how the benefits be monitored and evaluated?	Pass	Pro-forma has been completed.
Are monitoring and evaluation activities considered appropriate to the scale and nature of the project?	Pass	Identified monitoring activities are considered appropriate, however this would benefit from further details regarding the precise metrics and targets to be monitored and the presentation of baseline evidence (once available). Consideration should be given to the evaluation of processes via a lessons learnt log or workshop.

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. Three 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 public share displays and the Full Business Case (following its consideration by the LEP Investment Panel) can be found on the scheme website: www.gwr.com/plancheltenham

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