



GFirst Local Enterprise Partnership

Board Paper – 10th December 2019

Agenda Item (Title)	Agenda Item 8 - 2i: West Cheltenham Improvements Scheme (WCTIS) - UK Cyber Business Park - Phase 2 – A40 East Bound Widening and M5 junction 11 to Arle Court
Paper Author & contact details	Mally Findlater mally.findlater@gfirstlep.com
Supporting Papers	<ul style="list-style-type: none"> information on the scheme, including public share displays and the Full Business Case can be found on the scheme website: https://www.gloucestershire.gov.uk/highways/major-projects-list/west-cheltenham-transport-improvement-schemes-uk-cyber-business-park/ West Cheltenham Transport Improvement Scheme – Phase 2 – A40 East Bound Widening and M5 junction 11 to Arle Court: Full Business Case Assessment – AECOM West Cheltenham - Economic Benefits of Cyber Park and Adjacent Housing resulting from Transport Improvement Scheme – Cooper Simms
Confidentiality	<p>West Cheltenham Transport Improvements Scheme – Phase 2 A40 East Bound Widening: M5 - Junction 11 to Arle Court Full Business Case Report - AECOM is published alongside this Board paper, Item 8 - 2ii</p> <p>The West Cheltenham - Economic Benefits of Cyber Park and Adjacent Housing resulting from Transport Improvement Scheme – Cooper Simms - COMMERCIAL IN CONFIDENCE -not published -Item 8 - 1iii & 2iii</p>
Purpose	To provide the LEP Board with the information needed to consider approval of funding for Phase two of WCTIS, leading to the offer of a funding agreement to the value of £3,590,000 of the total scheme costs of £4,480,000, with any associated conditions, in line with the indicative funding allocated to the project within the Growth Deal Portfolio. A due diligence process has been completed as part of an assessment of the transport economic benefits of the scheme. While the transport economic benefits for phase 2 only (if not viewed in conjunction with phase 1) have been assessed as only providing low value for money, a further economic assessment has been commissioned by GFirst which concluded that the West of Cheltenham Transport Improvement Scheme as a whole would bring significant wider economic benefits by accelerating development in the vicinity of the A40 corridor.
Summary	At the LEP Board meeting on 4 th December 2018 approval was given for GCC to become the promoters for the £22m funding allocation and to proceed with the Business Case preparation for the West Cheltenham Transport Improvement Schemes – UK Cyber Business Park project. The Board also approved the release

of £3.3m of the £22m allocation for Business Case development, and noted the delivery of the proposed transport improvements in phases.

This paper summarises the Business Case and Business Case assessment of the **second phase**:

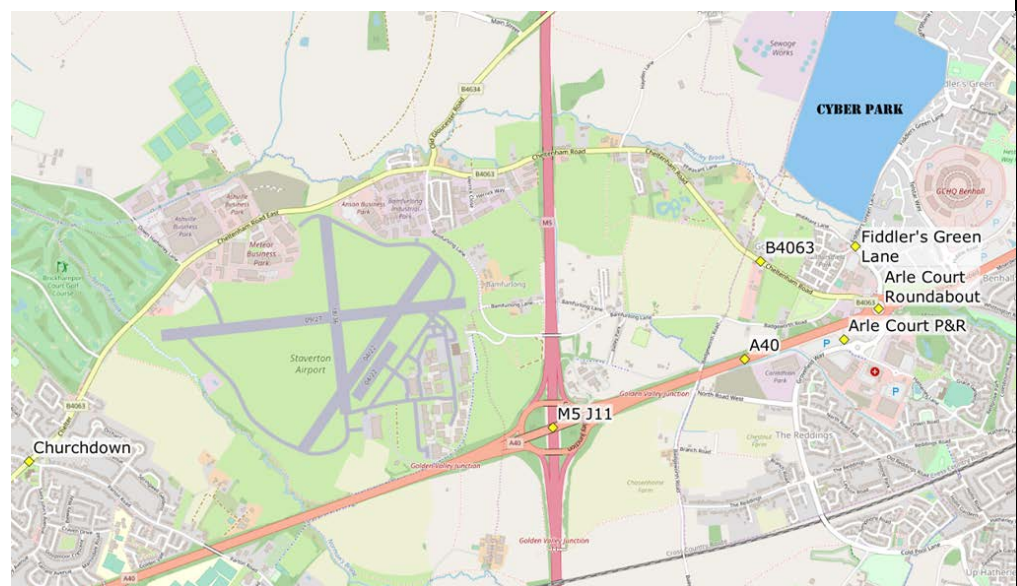
The £4.48m A40 East Bound Widening scheme provides capacity improvements for traffic travelling in an eastbound direction from the M5 Junction 11 to Arle Court Roundabout. The scheme is the second phase of a wider programme of investments along the A40 corridor in Cheltenham called the West of Cheltenham Transport Improvements Scheme (WCTIS) and builds upon the first phase, which delivers improvements to Arle Court Roundabout. This second phase will consist of upgrades to the A40 eastbound merge from M5 junction 11, which will be upgraded to a lane gain with ghost island merge, and the A40 eastbound carriageway upgraded to three lanes from this lane gain to Arle Court Roundabout. The scheme will allow the merge to accommodate much higher levels of traffic, which alongside further mitigating schemes would contribute to accelerating the release of the employment land associated with the ‘West Cheltenham’ Strategic Allocation along with the other strategic allocations in the Joint Core Strategy adjacent to GCHQ which includes the proposed Cyber Park, and Cyber Innovation Centre.

The scheme has been assessed fully by AECOM. The full business case assessment report accompanies this paper.

Figure 1-1 shows the location of the scheme, which consists of the following elements:

- A40 eastbound merge from M5 Junction 11 upgraded to a lane gain with ghost island merge; and
- A40 eastbound carriageway upgraded to three lanes from this lane gain all the way to Arle Court Roundabout.

Figure 1-1: Existing Network and location of Scheme Section (Source: FBC, Oct)



In terms of the value for money of the scheme the scheme promoter has calculated a Benefit Cost Ratio (BCR) of 2.67 for the scheme, corresponding to a

value for money category of 'Very High'. AECOM do not feel that they can support a figure as high as this because the model used for the assessment is not considered sufficiently sensitive to accurately assess the impacts further away from the scheme.

The scheme forms part of the wider WCTIS programme of improvements, the first phase of which was assessed to achieve a value for money category of 'very high' (BCR of 13.45). Taken as a package the first two elements of the programme would therefore achieve a value for money category of 'high'.

To overcome the model sensitivity issues described above AECOM has undertaken a separate calculation focusing on the scheme benefits proposed on the A40 scheme section alone. Based upon this calculation AECOM have concluded that the phase 2 scheme on its own would achieve a value for money category of at least 'Low', indicating that the scheme benefits would at least cover the scheme costs.

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 remaining 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.

The Growth Deal Programme Management Group agreed, that the value for money created by the scheme would still constitute an "Amber" rating in the RAG assessment, in line with the Gfirst LEP Local Assurance Framework. Within this it states that *'under normal circumstances all investments should demonstrate high value for money (VFM). However, the LEP Board recognises that there may be circumstances in which some investment may provide value for money for broader reasons than the factors taken into account in the initial VFM scoring. For example, the project may deliver broader strategic or economic growth outputs or outcomes.'*

The scheme will also contribute to accelerating the release of the employment land associated with the 'West Cheltenham' Strategic Allocation along with the other strategic allocations in the Joint Core Strategy adjacent to GCHQ which includes the proposed Cyber Park, and Cyber Innovation Centre. In order to give further reassurance on the value of this scheme phase, GFirst commissioned an economic appraisal that looked at these wider economic benefits. This report concluded that in addition to the transport economic benefits outlined above, the full scheme (all phases) would enable significant wider economic benefits that are expected to be derived from the planned Cheltenham Cyber Park, including the Government funded Cyber Innovation Centre, along with adjacent housing development. The appraisal demonstrated that the investment of £22m in the West Cheltenham Transport Improvements Scheme provides excellent value for

Agenda Item 8

	<p>money when these economic benefits are taken into account. These include the potential to deliver between 8,500 and 11,000 new jobs, adding £500m GVA when complete, £770m of private investment and 1100 new homes.</p> <p>The scheme already benefited from part of the £3,300,000 Growth Deal funding previously approved for Business Case and scheme preparation works of which it spent £890,000. Therefore, the Board would be asked to approve £3,590,000 of the total scheme costs of £4,480,000.</p>
<p>Implications, impacts or risks</p>	<p>The Business Case Assessment report highlights that at the time of the BC assessment, GCC Cabinet approval to confirm GCC commitment to the financial risks identified and to the funding of future ongoing maintenance was still outstanding. GCC Cabinet approval was granted on 13 November 2019 for GCC to proceed with the procurement of this scheme phase. The cabinet paper highlights the financial risks to GCC, but also refers to the December 2018 LEP Board paper which outlines the need to also manage the capital risk of the project through the total (£22m) allocation.</p> <p>There is also a risk that the scheme may clash with other Highways England projects leading to delays due to network occupancy. Extensive liaison has been undertaken with Highways England on an ongoing basis. The phasing and traffic management of the scheme has been carefully considered to minimise impact on Highways England works.</p> <p>Aspects of the scheme are subject to planning approval or other consents. If these are not forthcoming, the delivery could be delayed or even be at risk. This risk needs to be reflected in the funding agreement.</p> <p>There is a risk that the full package of investments for the WCTIS Scheme is not completed within the LGF programme spend profile. This is being managed by the Programme Management Group (PMG) in consultation with Ollie Hindle (BEIS)</p> <p>Growth Deal schemes would usually be expected to achieve high value for money (vfm). The independent assessment concluded that this scheme phase on its own would achieve a value for money category of at least 'Low', indicating that the scheme benefits would at least cover the scheme costs. However, the scheme forms part of the wider WCTIS programme of improvements, the first phase of which was assessed to achieve a value for money category of 'very high' (BCR of 13.45). Taken as a package the first two elements of the programme would therefore achieve a value for money category of 'high' taking account of only the costs of phase 2 and not its benefits. Therefore, if the Board is satisfied with the position described in this paper, the local assurance framework confirms that they have the authority to approve the funding as described.</p>
<p>Decision required</p>	<p>The LEP Board is asked to decide whether to approve or not to approve the funding of £3,590,000 for phase 2 as outlined in this paper and supporting documents. If they approve the funding, to instruct the GCC Accountable Body to prepare the necessary legal agreement.</p>
<p>Recommendations</p>	<p>Based on the AECOM assessment of the Final Business Case and the Due Diligence checks undertaken, the value for money calculation undertaken by AECOM suggesting at least 'low' value for money and considering the contribution the scheme is likely to make towards accelerating the release of the employment land</p>

Agenda Item 8

	<p>associated with the 'West Cheltenham' Strategic allocation along with other strategic allocations in the Joint Core Strategy, it is recommended that the scheme can be approved for LEP Growth Fund funding and that funding can be released in 2019/20. It is recommended that the LEP Board:</p> <ul style="list-style-type: none">a) Approve the offer of a formal funding award, of £3,590,000, post due diligence and business case assessment, for the West Cheltenham Transport Improvements Scheme – Phase 2 A40 East Bound Widening: M5 - Junction 11 to Arle Court.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 in the executive summary of the accompanying due diligence and business case assessment report. <p>The following Funding Conditions are recommended to ensure the scheme delivers the outcomes intended:</p> <ul style="list-style-type: none">• A funding condition should be included such that if any outstanding consents are declined then funding can be withheld or clawed back as required.• Should the Phase 2 project be delivered for less than the allocated £4.48m a funding condition should be included to ensure that any underspend is allocated to subsequent phases of the overall WCTIS programme.
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For further information about any points raised in this Board paper, please contact David Owen:
mally.findlater@gfirstlep.com