



HATCH
REGENERIS

Independent Assessment Summary Report: Winnersh Relief Road

A Final Report by Hatch Regeneris Consulting
November 2018

Thames Valley Berkshire Local Enterprise Partnership

Independent Assessment Summary Report: Winnersh Relief Road

November 2018

www.regeneris.co.uk

Contents Page

Executive Summary	i
Scheme Summary	i
Review Findings	i
1. Introduction	1
Submitted Information	1
Report Structure	1
2. Appraisal Specification Report	2
Overview	2
Initial Review	2
Revised Approach	3
Additional Review	3
3. Full Business Case	4
Overview	4
Key Input Assumption and Parameters	4
Strategic Case	5
Economic Case	7
Financial Case	9
Commercial Case	10
Commercial Case - Addendum	10
Management Case	11
Environmental Summary	12
Summary and Conclusions	12

Executive Summary

- i. This technical note provides an independent assessment of the Winnersh Relief Road (WRR) Scheme Business Case submission to the Thames Valley Berkshire Local Enterprise Partnership.

Scheme Summary

- 1.1 The business case submission sets out the case for investment for the full development of WRR linking B3270 Lower Earley Way in the west with the A329 in the east. This has been split into two phases:
 - WRR Phase 1, the western section, links the B3270 Lower Earley Way with B3030 King Street Lane – this has already been constructed and open in June 2018;
 - WRR Phase 2, the eastern section, will link King Street Lane to the A329 Reading Road at the M4 overbridge; and includes
 - Lower Earley Way (LEW) dualling
- 1.2 The scheme includes a combination of new road links (WRR), upgrades from single to dual carriageway (LEW), new roundabouts, new and modified traffic signals, and new toucan crossing facilities.

Review Findings

Conclusions

- ii. The Strategic Case demonstrates alignment with strategic priorities and the provides an underlying identification of current congestion issues across the wider Winnersh highway network. The need for infrastructure provision to support the specific Hatch Farm Dairies development, and wider housing growth, is clear. The established scheme objectives link to the issues identified.
- iii. Whilst the scheme optioneering process is not well-articulated, there is considered to be sufficient evidence to demonstrate why this is the preferred scheme option.
- iv. The approach to modelling and assessment of monetised benefits is generally robust and, whilst there may be some errors with the land value assessment and estimates of present values of costs, these are not considered in any way to undermine what is most likely a 'Very High' value for money scheme and, at worse, 'High' value for money.
- v. The Financial Case is considered to contain some errors that are likely to increase the overall life-cycle costs of the scheme. Whilst this may have funding implications for WBC Capital Programme it is not considered to undermine the case for investment.
- vi. The Commercial and Management Cases are considered to be non-compliant, in WebTAG business case terms, but this is due to the Applicants stated reliance upon existing term contracts which, if capable of effectively and efficient delivering all aspects of the scheme, are likely to be the best procurement solution. This does, however, need to be evidenced.

Recommendations

- vii. Whilst the overall case for funding appears strong, it is our conclusion that the overall evidence presented within the business case does not currently permit an unconditional approval of the scheme.

Conditions for Approval

- viii. We recommend that the following series of conditions are applied before the scheme is taken forward:

- 1) Further detail on how the scheme will specifically address the fifth objective to “encourage active transport through provision of cycle lanes and footpaths”.
- 2) An update to the Economic Case that takes into account necessary revisions to the net land value uplift calculation and adjusted present value of costs, to be fully WebTAG compliant.
- 3) Inclusion of sensitivity tests to understand the impact of any variability in the benefits and costs of the scheme.
- 4) Full completion of the Appraisal Summary Table, specifically in relation to social impacts and walking and cycling impacts.
- 5) An update to the Financial Case that:
 - provides clear and credible evidence of the robustness of the underlying scheme build cost and risk contingency estimates presented;
 - confirms the cost and funding profiles; and
 - takes into account necessary cost inflation, maintenance and renewals, and optimism bias.
- 6) Provision of evidence to demonstrate available funding from WBC Capital Programme to cover their allocated costs, as well as any project cost variations.
- 7) Provision of a full risk register and Quantified Risk Assessment.
- 8) Additional evidence within the Commercial and Management Cases to demonstrate that the optimum procurement processes have been selected.
- 9) Full completion of the Management Case to provide confidence the management structure and framework are in place to deliver the scheme, particularly in relation to risk management, contract management, and contingency planning.
- 10) That the scheme retains high or better value for money once these conditions have been met.

1. Introduction

- 1.1 This report provides an independent assessment of the Full Business Case (FBC) submitted by Wokingham Borough Council (WBC) for the delivery of the Winnersh relief Road and dually of the Lower Earley Way (LEW).
- 1.2 The report considers the evidence presented and whether it represents a robust case for the investment of Thames Valley Berkshire Local Enterprise Partnership (TVB LEP) growth deal funds.
- 1.3 The independent assessment has applied criteria from TVB LEP assurance framework and the requirements for transport scheme business cases set out within the Department for Transport (DfT) WebTAG.

Submitted Information

- 1.4 The independent assessment process for the Winnersh Relief Road (WRR) submission has been conducted on the following set of documentation submitted by WBC and their consultant team (WSP):
 - Appraisal Specification Report (23rd August 2018)
 - Present Year Validation Report (4th October 2018)
 - Economic Case Methodology Statement (15th October 2018)
 - Provisional Full Business Case Report (26th October 2018)
 - Addendum to Strategic and Commercial Case (1st November 2018)
 - Final Management Case (2nd November 2018)
 - Final Economic and Financial Case (5th November 2018)
- 1.5 In addition to these formal documents, Hatch Regeneris have engaged with WBC and their consultants between July 2018 and November 2018 to discuss the requirements of the final business case submission and comment upon the acceptability of the proposed appraisal approach and input assumptions and parameters.
- 1.6 No Option Appraisal Report was submitted as part of the business case process.

Report Structure

- 1.7 This Independent Assessors Report responds to the formal submission of documentation, as well as the informal engagement process with WBC and their consultants, to provide a review of information provided, assess its suitability and robustness against TVB LEPs assurance requirements, and provide recommendations in relation to the approval of LEP funding for the proposed scheme.
- 1.8 The report is structured as follows:
 - Section 2: Appraisal Specification Report – presents a high-level review of the ASR and the acceptability of the proposed appraisal approach to be adopted
 - Section 3: Full Business Case Submission – presents an initial summary of scheme elements included in the business case submission, alongside the details presented within each of the five 'cases' (Strategic, Economic, Financial, Commercial, Management). It also sets out the recommendations to the LEP Local Transport Body relating to the suitability of the scheme for funding.

2. Appraisal Specification Report

Overview

- 2.1 The Appraisal Specification Report (ASR) was submitted for assessment and reviewed by Hatch Regeneris in August 2018. It provided:
- An overview of the scheme and its location;
 - The proposed approach to modelling and forecasting, including a description of the Wokingham Strategic Transport Model 3 (WSTM3), its base year 2010 validation, the 2015 'present year' validation, the variable demand modelling, and 'realism testing'; and
 - The proposed approach to developing the Economic Case, including reference to the economic and environmental assessment process.
- 2.2 A telecom was held with WBC and their consultants, (WSP), to discuss the broad approach.

Initial Review

- 2.3 The initial review, and discussions with the Applicant, identified a range of complexities with this scheme and business case submission process. The scheme, and business case submission, encompasses three component parts:
- WRR Phase 1: from Lower Earley Way to King Street Lane
 - WRR Phase 2: from King Street Lane to A129 Reading Road
 - LEW Dualling
- 2.4 WRR Phase 1 has already been delivered through developer funding and provides access to the Hatch Farm Dairies (HFD) housing development site. Local Growth Funding is sought to complete WRR Phase 2 and the LEW Dualling to provide both enhanced access and mitigation to the HFD development, as well as provide congestion relief to the A129 Reading Road corridor.
- 2.5 The delayed production of the full business case has meant that WRR Phase 1 has been completed in advance, but it was always the intention to demonstrate the case for the full scheme. Whilst this is undoubtedly a non-standard approach it is not considered to fundamentally change the outcome of the business case process as it still requires the demonstration that each component element of the scheme represents value for money from investment. If the WRR Phase 2 and LEW Dualling elements cannot be demonstrated to deliver high value for money from public sector investment then these elements of the scheme should not proceed.

WSTM3 Model

- 2.6 The initial area of discussion with the applicant considered the suitability of the WSTM3 for assessing the scheme. Whilst the baseline calibration and validation of the model in 2010 was acceptable, the age of the model was considered to be a concern. In addition, the 'present year' validation of the model (using 2015 data) did not meet WebTAG criteria. As a result, the Applicant was requested to revalidate the model within the scheme impact area to demonstrate that it will accurately assess the impacts of the proposed scheme measures.

Approach to Economic Case

- 2.7 A second discussion focused upon the approach to the Economic Case. The ASR indicated that a standard transport user benefits assessment would be undertaken. A discussion entailed as to whether the HFD housing development scheme was to be treated as dependent development within the business case. It was agreed that this would be the case and so a more involved approach to assessing the economic impacts is therefore required, incorporating an assessment of land value uplift, external transport costs, as well as transport user benefits.
- 2.8 The applicant was requested to resubmit information relating to the robustness of the transport modelling tool and the approach to assessing the economic benefits.

Revised Approach

- 2.9 Two further submissions were made by the applicant:
- A Present Year Validation Report that presents a review of WSTM3 model revalidation work undertaken to enhance the accuracy of the model forecasting within the study impact area
 - A summary of the proposed approach to assessing dependent development

Additional Review

WSTM3 Model Revalidation

- 2.10 The Present Year Validation Report appears to demonstrate that the locally revalidated WSTM3 model performs significantly better within the defined 'Area of Impact'.
- 2.11 The modelled flows now appear to be broadly representative and the journey times are generally good.
- 2.12 Whilst not specifically noted in the report, it is assumed that the revalidation has not created any issues within the wider model that would affect the testing of the scheme. On the basis that it does not, and given the limited time available, it has been accepted that this represents the best modelling tool with which to assess the scheme at the present time. The model outputs will, however, need to be treated with care, in accordance with the robustness of the model. This may require additional model runs, with varying input parameters, to test the sensitivity of the model outputs.

Revised approach to Economic Case

- 2.13 The update approach proposed by the applicant is in alignment with WebTAG procedures and so is considered acceptable.
- 2.14 It will include separate assessments of transport user benefits, external transport costs, land value uplift, changes in amenity values, alongside any social and environmental impacts.

3. Full Business Case

Overview

- 3.1 The full business case submission sets out the case for investment for the full development of Winnersh Relief Road (WRR) linking B3270 Lower Earley Way in the west with the A329 in the east. This has been split into two phases:
- WRR Phase 1, the western section, links the B3270 Lower Earley Way with B3030 King Street Lane – this has already been constructed and open in June 2018;
 - WRR Phase 2, the eastern section, will link King Street Lane to the A329 Reading Road at the M4 overbridge; and includes
 - Lower Earley Way (LEW) dualling
- 3.2 Much of the business case focuses on Phase 2 and in summary includes:
- a new roundabout junction located on the A329 Reading Road, north of the M4 overbridge;
 - a further roundabout located south of the M4 overbridge providing a connection to the proposed West of Old Forest Road scheme;
 - a modified set of traffic signals at Kings Street Lane;
 - a new set of traffic signals on the Reading Road east bound approach at the southern roundabout; and
 - one modified toucan crossing on Reading Road between the two roundabouts close to Woodward Close.

Key Input Assumption and Parameters

- 3.3 The overarching business case is based upon a range of key assumptions, as follows:
- The Hatch Farm Dairies site is classified as 'dependent development' in relation to the WRR scheme. The Economic Case has, therefore, been built through the application of land value uplift approach.
 - The North West Distributor Road is included within the 2026 Reference Case as a committed scheme

Independent Assessor Comment

- 3.4 The assumptions set out were discussed, and agreed, in advance of the business case development and reporting process.

Strategic Case

- 3.5 The Strategic Case provides an overview of the **overarching strategies** for Thames Valley Berkshire LEP, as set out within the Strategic Economic Plan, as well as National Planning Policy Framework, and Wokingham's Core Strategy Development Plan and Local Transport Plan. It examines how the proposed scheme aligns to the policies within these documents.
- 3.6 A range of existing **issues with congestion** are identified along the A329 Reading Road, Lower Earley Way North, Mill Lane and King Street Lane and the impact that future housing growth, including the Hatch Farm Dairies site, will have in exacerbating these issues. It qualitatively describes the impacts of 'no change' upon the local highway network.
- 3.7 The scheme has five **overarching scheme objectives**, summarised below:
- Reduce existing and future peak hour congestion in Winnersh by providing an alternative route for through traffic.
 - Reduce journey times on the A329 Reading Road through Winnersh.
 - Facilitate the Hatch Farm Dairies housing development (433 dwelling units).
 - Cater for traffic generated by other new housing developments in the Borough of Wokingham as set out in the Core Strategy.
 - Encourage active transport through provision of cycle lanes and footpaths
- 3.8 A range of **measures for success** are set out based around permitting the delivery of housing, mitigating current and future transport impacts, and encouraging active transport.
- 3.9 The **constraints and interdependences** of the scheme are considered to be limited to funding. Key stakeholders are set out.
- 3.10 The **summary of options** considered references the planning application process and the different scheme elements considered through this process.

Strategic Case Addendum

- 3.11 Hatch Regeneris raised a number of questions in relation to the initial Strategic Case submission. The Applicant has sought to address these questions by way of a separate addendum.
- 3.12 The addendum provides the following:
- Further evidence on the relationship between the WRR and the North Wokingham Distributor Road;
 - Reference case delays within the transport model as a comparator to Google Maps data;
 - Evidence to support the need for Hatch Farm Dairies development;
 - Evidence to support the need for the full road scheme (WRR Phase 1 and 2, with LEW Dualling) to unlock the Hatch Farm Dairies development;
 - Evidence of how highway delays will increase over time;
 - Clear demonstration of how the scheme objectives link to the underlying identified issues and need for intervention;
 - Revised scheme objectives; and
 - Further evidence of the scheme optioneering process.

Independent Assessor Comment

- 3.13 The Strategic Case sets out clearly the alignment of the scheme to national, regional and local policy objectives, specifically in relation to enhancing strategic access across area to support employment growth and providing direct and indirect access to housing sites, providing the transport capacity to enable, or support, their delivery.
- 3.14 The **problem identification** section focuses upon the existing delays across the highway network, including the A329 Reading Road, and the need to provide relief to benefit existing road users, as well as provide capacity to facilitate additional housing growth, notably the Hatch Farm Dairies site, but also longer-term growth requirements. The initial documentation had limited supporting quantified evidence for the assertions, but some additional transport modelling outputs are provided within the addendum to demonstrate current and future congestion.
- 3.15 Given the importance of the WRR to the Hatch Farm Dairies site, further evidence was requested to demonstrate the specific local housing need for this site to be developed. The addendum provided this evidence to demonstrate there were no alternative viable sites to deliver this housing.
- 3.16 The **impact of not changing** section was, again, relatively qualitative in nature but is considered to highlight a range of key points. The addendum provided some additional quantitative modelling outputs to support the case that highway delays and congestion are forecast to increase across all three time periods (AM, IP, PM).
- 3.17 The initial Strategic Case set out four **scheme objectives** but did not provide any specific demonstration of the link from the issues identified through to the creation of the objectives. The Addendum has provided further text to demonstrate this link.
- 3.18 The measures of success, whilst set out in the Strategic Case, were inconsistent with the scheme objectives. This is rectified within the Addendum.
- 3.19 The Strategic Case states that there will be no planning consent or land ownership issues with the scheme and, as such, the **constraints and interdependencies** are limited. There is no specific **scope of works** presented, although a summary of the scheme elements is presented within an introductory section. This would benefit from more information to understand how the scheme will address the fifth objective to “*encourage active transport through provision of cycle lanes and footpaths*”.
- 3.20 The scheme is considered to be a long-standing aspiration and evidence is provided of its inclusion in the Local Plan (2004). The 2014 WRR Phase 2 Planning Applicant includes a list of variant options along the core route, however, the Strategic Case did not present the evidence to show the wider **scheme optioneering** process that had been undertaken to demonstrate that the WRR scheme represents the best solution to the identified issues. The Addendum provides consideration of other options, different highway capacity options, different route options, and options to increase the capacity of A329 Reading Road. A qualitative assessment is presented to demonstrate why the WRR represents the preferred scheme option. Whilst not detailed in nature, the information presented is considered to be sufficient.

Economic Case

- 3.21 The Economic Case sets out the **modelling approach** applied within assessment. It describes the Wokingham Strategic Transport Model 3 (WSTM3), consisting of a highway (SATURN), public transport (VISUM), and a variable demand model (DIADEM). It sets the parameters and assumptions are applied within the modelling process.
- 3.22 The scenarios appraised are set out in accordance with the requirement for assessing transport user benefit and transport external costs. This includes:
- Do Minimum (Reference Case)
 - Do Something 1 (with scheme, but without Hatch Farm Dairies)
 - Do Something 2 (with scheme, with Hatch Farm Dairies)
- 3.23 The **monetised scheme benefits** are then set out in terms of accident savings, transport user benefits, transport external costs, and the land value uplift and any loss in amenity value from unlocking the Hatch Farm Dairies site.
- 3.24 An **Appraisal Summary Table** is attached that sets out the wider assessment of impacts against all economic, environmental, and social criteria.
- 3.25 A value for money statement outlines that the direct transport impacts of the scheme generate a **benefit cost ratio** of 2.77, representing high value for money. When the land value uplift, amenity value, and transport external cost are added in this increases it into the very high value for money category.
- 3.26 Additional non-monetised impacts are set out within the **Appraisal Summary Report**. There is also a corresponding section that specifically considers the environmental implications of the scheme (see Environmental Summary section below).

Independent Assessor Comment

- 3.27 The Economic Case provides a good overview of the WSTM3 model and the underlying assumptions applied. This reinforces the information presented as part of the Appraisal Specification Report that the modelling tools are sufficient robust to appraise the scheme.
- 3.28 The assessment of accident savings resulting from the scheme measures is considered robust and the outputs from the COBALT model provided.
- 3.29 The approach to assessing both the transport user benefits and transport external cost, utilising TUBA, is considered robust.
- 3.30 Supporting outputs from the WSTM3 model are provided and indicate strong flows along the WRR and increases in traffic on LEW. More importantly, the outputs indicate significant reductions in flows, and delays, along the A329 Reading Road and the B3030 King Street Lane demonstrating the role of the scheme in reducing congestion on the surrounding network, a key objective. The large flow reduction on the section of A329 Reading Road between the junction with WRR Phase 2 and the B3030 King Street Lane, as well as on the B3030 King Street Lane itself, demonstrates the specific value of Phase 2 of the scheme in providing congestion relief.
- 3.31 The basic approach to estimating the land value uplift of the Hatch Farm Dairies site is considered sound, however, the translation of the gross land value uplift figures into net figures is considered inaccurate. This translation is meant to take into account 'deadweight' (any small-scale development that could have taken place on the site without the scheme) and 'displacement' (an assessment of the amount of development that may have been displaced from being delivered in the same timeframe elsewhere in the borough). Whilst a

case can be made for both of these values being zero, in reality it is unlikely, and we would expect some allowance to be made.

- 3.32 Even taking into account a potential adjustment to allow for ‘deadweight’ and ‘displacement’ the land value uplift value will still be considerable and contribute a significant positive economic benefit to the scheme.
- 3.33 The assessment of the loss of ‘Amenity Value’ (the value that the Hatch Farm Dairies may have had in terms of community amenity) is assessed as zero. As the site was previously agricultural land, this is considered reasonable. Even if the site was accessible to the public, the loss of value would be small.
- 3.34 From clarifications provided by the Applicant, it is understood that no optimism bias has been applied within the assessment. This is considered acceptable in relation to WRR Phase 1 of the scheme. For WRR Phase 2 and LEW Dualling we consider that optimism bias needs to be applied. The level will depend upon how well developed the scheme costs are (which is not stated in the Financial Case), however, it may be appropriate that a level of 15% or lower to be applied. This will increase the overall **Present Value of Costs** that goes into the Economic Case. It should be noted it does not affect the Financial Case.
- 3.35 The Financial Case highlights some other areas of the cost estimate process that may result in higher overall costs, which will also increase the Present Value of Costs that is included within the Economic Case.
- 3.36 The combined impact of lower net land value increases and higher present value of costs will reduce the estimated benefit cost ratio for the scheme. Whilst we do not have the information with which to accurately predict a revised ratio, we consider it likely that it will still remain ‘Very High’ and definitely ‘High’.
- 3.37 No sensitivity testing has been undertaken. Ideally a test of low and high traffic growth should have been undertaken. Other key input variables could also have been tested. It is accepted, however, that it is unlikely to result in a significant variation in the overall benefit cost ratio generated and, importantly, it is extremely likely to remain ‘High’ or ‘Very High’.
- 3.38 The wider economic impacts of the scheme are not considered, neither are any of the social impacts beyond journey times and accidents. In reality it is considered likely that the scheme will offer a range of positive or, at worse, neutral impacts across most of the measures by enhancing accessibility and connectivity. The only potential negative impact may be in terms of severance created by the new road for pedestrians and cyclists but even this is likely to be mitigated against. Given that one of the scheme objectives is to “*encourage active transport through provision of cycle lanes and footpaths*” we would expect a greater focus on these outcomes within the assessment.

Financial Case

- 3.39 The Financial Case provides in detail the estimated funding and cost profile and breakdown of the scheme.
- 3.40 A full cost profile covering the period between 2017/18 to 2020/21 is provided. Total expenditure are as follows:
- WR Phase 1 (realised) = £6,500,000 (2018 Quarter 4 prices)
 - LEW Way Dualling = £5,427,101 (2016 Quarter 3 prices)
 - WRR Phase 2 = £8,037,121 (2016 Quarter 3 prices)
- 3.41 The **total funding request** is for £20.402m and covers the period between 2016/17 to 2020/21. A breakdown of funding sources:
- Business Rates Retention Pilot = £6,260,000
 - Private Sector (Phase 1) = £6,500,000
 - Council Capital Programme = £7,204,223
 - Other (Private Sector) = £438,000

Independent Assessor Comment

- 3.42 The overall Financial Case provides sufficient information to give confidence in the broad estimate of the scheme costs in relation to each of the three scheme elements, as well as a profile of spend. It would benefit, however, from some greater transparency and we consider there may be a number of areas where costs have been marginally underestimated.
- 3.43 The overall **total scheme cost** (WRR Phase 1 and 2, and LEW Dualling) is not presented and cannot easily be calculated as the individual cost estimates are presented in different base year prices. We also understand that **no cost inflation** has been applied for Phase 2 and LEW Dualling. We also estimate that the **cost and funding profiles** differ and will need to be carefully managed.
- 3.44 There are no specific details on how the **cost estimates** have been developed and so we cannot verify this process, specifically to what level the scheme has been designed (e.g. preliminary or detailed design). We also understand that no allowance for **maintenance or renewal** has been included.
- 3.45 A **risk budget** of 11% and 6% for the LEW Dualling and WRR Phase 2 schemes has been estimated. We considered these to be relatively low for a scheme of this nature, albeit this relates to the perceived accuracy of the costs themselves. A Quantified Risk Register is not provided within the business case.
- 3.46 In conclusion, we consider it likely that the overall scheme costs will be higher than those presented within the Financial Case and that this additional funding will need to be provided by WBC Capital Programme.
- 3.47 In relation to this final point, the Financial Case does not provide supporting evidence that the £7.2 million funding is allocated and secured within the WBC Capital Programme and that additional cost requirements will also be covered by this funding source.

Commercial Case

- 3.48 The Commercial Case provides evidence on the commercial viability and outlines the procurement strategy of the scheme.
- 3.49 Wokingham BC have a contract with Balfour Beatty (BB) to deliver a series of major highway scheme and formed a Highways Alliance partnership with BB, WSP and VolkerHighways for highways and transportation services. Each have a contract with the Council based on the NEC3 Engineering and Construction Contract.
- 3.50 Detailed output-based specifications for both the LEW Dualling and WRR are listed.
- 3.51 The payment mechanisms, pricing framework and charging mechanisms in place for the procured contractors are detailed with clear incentive mechanisms to ensure delivery. With regards to risk allocation and transfer, it is stated that risk is shared across signed New Engineering Contract 3 contracts in accordance with contractual terms. Whilst contract management details are briefly outlined.

Independent Assessor Comment

- 3.52 The Commercial Case is relatively detailed but could elaborate on a few aspects to strengthen and provide reassurance.
- 3.53 The original process and details (***procurement strategy, sourcing options, and contract length***) used to appoint Balfour Beatty Volker Highways, and WSP onto their contracts are not included. It is, therefore, not possible to be certain about the suitability of these contracts for undertaking this work in the most effective manner.
- 3.54 The total level of **risk allocation and transfer** between Wokingham BC and their contractors is unclear without reviewing the signed contracts.
- 3.55 Information of **human resource issues** were not included in the commercial case

Commercial Case - Addendum

- 3.56 It is stated a total of five contract/procurement options were considered by WBC before a decision was made to use the SCAPE contract. A key factor for the decision was SCAPE's capacity to deliver multiple parallel transport schemes under tight schedules.

Independent Assessor Comment

- 3.57 The addendum does not demonstrate why the existing term contracts represents the best procurement option as it does not present the case for the remaining options that were considered.

Management Case

- 3.58 The Management Case presents information on how the proposal will be delivered and managed.
- 3.59 A short description of Wokingham's previous experience delivering transport developments is provided.
- 3.60 It is stated the scheme is relatively free from dependencies, with the exception of utility diversions.
- 3.61 The appendix of the business case contains an organogram highlighting job titles and organisation structure is included; and detailed project plan listing the key stages of the project and critical path, alongside key milestones.
- 3.62 As per DfT guidance, the Management Case for the scheme includes sections on governance, assurance and approvals, communications and stakeholder management, project reporting arrangements and benefits realisation and monitoring & evaluation plans.

Independent Assessor Comment

- 3.63 Much of the arguments made in all of the sections (with the exception of project plan) of the Management Case rely on previous practices or broad high-level descriptions. There is a lack of detail, justification or application to the scheme and as a result do not inspire confidence the management structure and framework are in place to deliver the scheme.
- 3.64 The section on **previous work experience** does not provide details of the listed projects and their success. Furthermore, there are no examples of Balfour Beatty's, VolkerHighways', WSP's or Highway Alliance's experience in delivering similar developments.
- 3.65 More information could be provided on the schemes **governance** and description of roles within the **organisation structure**, including why the chosen team is best suited to deliver the proposed scheme.
- 3.66 The submitted **assurance and approvals plan** relates to the process government business case approval as opposed for the delivery of the scheme.
- 3.67 The **communications and stakeholder management** section does not specifically develop a communications strategy for the project. More information could be provided on the **project reporting** arrangements.
- 3.68 More information could be provided on the schemes **risk management strategy** and the risk register was not included.
- 3.69 The **Benefits Realisation Plan** section does not contain specific details on how the applicant will ensure the identified scheme benefits will be realised.
- 3.70 Whilst not detailed in the Management Case, a draft monitoring and evaluation plan was issued to the LEP's Business Case Independent Technical Advisor Hatch Regeneris in August 2018 for their consideration.
- 3.71 The Management Case does include sections on **key issues for implementation, contract management, or contingency plan.**

Environmental Summary

- 3.72 The Environmental Summary highlights the net benefits and constraints with the Site resulting from the proposed scheme's environmental impact.
- 3.73 A description of the assessment, summary of the scheme's impact, findings, conclusions and mitigating actions for each of the following environmental impacts was undertaken:
- Air quality,
 - Arboriculture
 - Archaeology and Heritage
 - Ecology
 - Ground Conditions, Hydrogeology and Contamination
 - Landscape and Visual
 - Amenity Impact
 - Noise and Vibration
 - Water Environment

Independent Assessor Comment

- 3.74 The Environmental Summary is considered to be reasonably comprehensive and detailed in its analysis. For each of the factors, assessments, studies or notes were actioned to determine the impact of the scheme. This draws on detailed information, including the number of properties affected. Each provide sufficient evidence to indicate that the scheme will not breach environmental standards and where it does possess the necessary planned mitigating actions to avoid large detrimental impacts.

Summary and Conclusions

Summary

- 3.75 The review of the five case has identified a series of points for further consideration. These are summarised below:
- The articulation of the scheme optioneering process within the business case suffers from the long-established nature of the scheme and its frequent reference within planning documents. Sufficient evidence is presented to demonstrate that alternative options have been considered over time, even if these are not specifically documented within an Option Assessment Report.
 - The overall Economic Case for the scheme appears strong with, at worse, a 'High' value for money and, most likely, 'Very High'. It is considered that some errors have been made within the land value assessment calculations and within the calculation of the Present Value of Costs but we have broadly been able to conduct our own independent sensitivity tests and we do not consider that the errors will notably affect the overall case.

- The Economic Case lacks some depth with no consideration of wider economic impacts and many social impacts. In the main this is not considered detrimental to the overall business case as most of the impacts are considered likely to be positive or natural, however, a lack of focus upon walking and cycling impacts is particularly notable given one of the scheme objectives is to “encourage active transport through provision of cycle lanes and footpaths”.
- The overall Financial Case provides sufficient information to give confidence in the broad estimate of the scheme costs, however, the case would benefit from greater transparency and it is considered likely that there may be a number of areas where costs have been marginally underestimated.
- The Commercial Case is relatively detailed but could elaborate on a few aspects to strengthen and provide reassurance. This includes specific evidence that existing term contracts represent the best procurement option for a scheme of this nature.
- The Management Case is relatively high level and would benefit from greater detail, particularly in relation to risk management, benefits realisation, contract management, and contingency planning.

Conclusions

- 3.76 The Strategic Case demonstrates alignment with strategic priorities and the provides an underlying identification of current congestion issues across the wider Winnersh highway network. The need for infrastructure provision to support the specific Hatch Farm Dairies development, and wider housing growth, is clear. The established scheme objectives link to issues identified.
- 3.77 Whilst the scheme optioneering process is not well-articulated, there is considered sufficient evidence to demonstrate why this is the preferred scheme option.
- 3.78 The approach to modelling and assessment of monetised benefits is generally robust and, whilst there may be some errors with the land value assessment and estimates of present values of costs, these are not considered in anyway to undermine what is most likely a ‘Very High’ value for money scheme and, at worse, ‘High’ value for money.
- 3.79 The Financial Case is considered to contain some errors that are likely to increase the overall life-cycle costs of the scheme. Whilst this may have funding implications for WBC Capital Programme it is not considered to undermine the case for investment.
- 3.80 The Commercial and Management Cases are considered to be non-compliant, in WebTAG business case terms, but this is due to the Applicants stated reliance upon existing term contracts which, if capable of effectively and efficient delivering all aspects of the scheme, are likely to be the best procurement solution. This does, however, need to be evidenced.
- 3.81 It is our conclusion that whilst there appears to be strong overarching case for the scheme, there are currently too many uncertainties within the business case to permit an unconditional approval of the scheme.

Conditions for Approval

3.82 We recommend that the following series of conditions are applied before the scheme is taken forward:

- 1) Further detail on how the scheme will specifically address the fifth objective to “encourage active transport through provision of cycle lanes and footpaths”.
- 2) An update to the Economic Case that takes into account necessary revisions to the net land value uplift calculation and adjusted present value of costs, to be fully WebTAG compliant.
- 3) Inclusion of sensitivity tests to understand the impact of any variability in the benefits and costs of the scheme.
- 4) Full completion of the Appraisal Summary Table, specifically in relation to social impacts and walking and cycling impacts.
- 5) An update to the Financial Case that:
 - provides clear and credible evidence of the robustness of the underlying scheme build cost and risk contingency estimates presented;
 - confirms the cost and funding profiles; and
 - takes into account necessary cost inflation, maintenance and renewals, and optimism bias.
- 6) Provision of evidence to demonstrate available funding from WBC Capital Programme to cover their allocated costs, as well as any project cost variations.
- 7) Provision of a full risk register and Quantified Risk Assessment.
- 8) Additional evidence within the Commercial and Management Cases to demonstrate that the optimum procurement processes have been selected.
- 9) Full completion of the Management Case to provide confidence the management structure and framework are in place to deliver the scheme, particularly in relation to risk management, contract management, and contingency planning.
- 10) That the scheme retains high or better value for money once these conditions have been met.



www.regeneris.co.uk

London: 0207 336 6188

Manchester: 0161 234 9910