

SEMLEP
Bedford Town Centre Transport Strategy

Due Diligence Assessment

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1 Introduction

Regeneris and Fore Consulting have been appointed by SEMLEP to undertake due-diligence of the projects shortlisted for LGF funding in 2017/18, in line with the updated Assurance Framework. This represents the second stage of due-diligence following the initial stage of appraisal and prioritisation that was undertaken for project submissions to LGF Rounds 2 and 3.

The report is concerned with the due diligence of the Bedford Town Centre Transport Strategy. This project includes the £11 million LGF2 allocation for Bedford Town Centre and the £4.5 million LGF3 allocation for Bedford Southern Gateway that have now been combined into a single project.

This remainder of this paper sets out:

- An overview of the Stage 2 due diligence process,
- Our detailed findings and project scores for each project, and
- Our key findings and recommendations in relation to each project.

2 Approach for the Stage 2 Due-Diligence

2.1 Context

The update to SEMLEP's Assurance Framework includes a requirement for a second due diligence assessment prior to projects being approved for LGF funding. For projects requesting less than £5 million LGF, applicants are required to submit a revised pro-forma.

For larger projects, it is necessary for applicants to submit an Outline Business Case, aligned with the HM Treasury five-case business case format, which will be subject to a formal appraisal. In addition, transport projects (i.e. projects that are expected to significantly change the transport network infrastructure) are required to follow a separate process that aligns with the requirements of WebTAG.

The purpose of the Stage 2 assessment is to:

- Allow applicants to update and add further detail to the information provided in the Stage 1 assessments to reflect any changes to the project that have occurred since the previous assessment.
- Ensure that the project proposals satisfy the requirements of the SEMLEP Assurance Framework and associated national transport guidance.
- Demonstrate a strategic rationale for investment and Value for Money, and demonstrate that appropriate commercial, financial and management arrangements are in place for effective delivery.

These assessments have been undertaken on a consistent basis to the previous LGF Stage 2 Assessments undertaken by Regeneris and Fore Consulting and have followed the following stages:

- **Initial Review of Project Documents:** A high level review of the Five Case Business Case documentation against the assurance framework.
- **Meeting with Project Applicant:** A meeting with the project applicant and SEMLEP's Programme Assurance Manager.
- **Detailed Due-Diligence:** A detailed review of the business case and all relevant supporting information against the Assurance Framework and relevant national guidance.
- **Reporting:** Preparation of an appraisal report, setting out the appraisal findings and providing a recommendation, the results of which are set out in this report.

2.2 Scoring Criteria

For each element of the Stage 2 assessment the scoring was based on the following categories:

- Ready to proceed (Category 3)
- Ready to proceed, pending limited additional information (Category 2)
- Not ready to proceed / Requires significant additional information (Category 1)

The scoring system was adopted given that the project isn't being compared to others and the main requirement of the due diligence is to ensure the requirements of the assurance framework have been satisfied.

3 Key Findings and Recommendations

This section sets out the detailed overview of the Stage 2 Due Diligence Assessment alongside a summary of the high-level findings and whether the project satisfies the requirements of the Assurance Framework. Our recommendations also set out key issues that SEMLEP may want to consider when agreeing a funding agreement with project applicants.

3.1 Project Summary

Project	Bedford Town Centre Transport Strategy
Location	Bedford
Project Theme	Transport
Project Summary	<p>The combined package of scheme measures will:</p> <ul style="list-style-type: none"> • Enhance the permeability of the core town centre, creating better connections between the retail quarter, the cultural quarter, and the Great River Ouse • Enhance the management of traffic movements into and across the town to improve journey time reliability • Provide travellers with real-time information about traffic and travel conditions to allow them to make informed decisions about travel behaviour
Start and End Dates	<p>Start Date: Spring/Summer 2018 (Construction Start Date)</p> <p>End Date: Late 2020</p>
Funding Requirements	<p>Total Funding: £18.4m</p> <p>LGF Funding: £15.5m</p> <p>Bedford Borough Council: £2.9m</p>
Quantified Project Impacts	£31.89m NPV
Value for Money / BCR	BCR ratio of 2.15:1 (Central Case)
Private Sector Leverage (% of total funding)	0%

3.2 Assessment Summary

3.2.1 Strategic Case

	Question	Answered - Yes or No?	Comment / Observation	Status
1	What is/are the identified problem(s)?	Yes	<p>A summary of the problems identified by the evidence base is provided with supplementary evidence on Bedford Borough Council's website in the Issues and Opportunities Report. In summary the problems include:</p> <ul style="list-style-type: none"> • Peak period capacity constraints at a number of junctions. • Considerable journey time variation on key corridors leading to the town centre. • Dominance of motorised vehicles on corridors leading into the town centre creating adverse conditions for non-motorised users. • Vehicular domination of High Street and St Paul's Square. • Sub-optimal connections for walking and cycling around the town • Significant variation in rateable values across the core town centre. 	3
2	What would happen if the scheme didn't go ahead?	Yes	<p>It is noted that if the scheme does not go ahead this will mean:</p> <ul style="list-style-type: none"> • Traffic conditions and journey time reliability will remain poor and deteriorate over time. • High Street will continue to underperform within the local economy. • East-west connectivity across the High Street and St Paul's Square will remain poor and limit the ability to maximise the existing historic and cultural assets of the town. 	3

	Question	Answered - Yes or No?	Comment / Observation	Status
3	Why is the scheme needed now? What are the internal/external drivers?	Yes	Concerns around the performance of the High Street are longstanding. However, the Western Bypass has been completed and as such there is no longer the need to cater for long-distance traffic through the town. There is also the opportunity to complement and link in with wider initiatives and proposals e.g. Local Plan impacts, OPE, rail upgrades.	3
4	Why can the project not proceed without Growth Deal funding?	Yes	It is noted that public realm and traffic management projects are highway authority matters. Some narrative on why alternative sources of funding are not suitable has been provided. This includes an explanation of the availability of funds from CIL and local transport funding.	3
5	Who will be affected and what is known about their needs?	No	Some information has been provided on the impacts of the scheme on different user groups. However, this could be strengthened through inclusion of supporting evidence. This information should be provided in the update to the business case prior to the signing of any funding agreement.	2
6	What are the constraints?	No	Some key constraints have been identified. It should be noted that the need to coordinate and sequence the respective phases to minimise impact on the town will be important. The works will also need to fit in with other development and works scheduled to take place such as the major bridge works being carried out by Network Rail on the town's two railway bridges within the delivery timeframe of the project. These works will have an adverse impact on congestion in the town as bridges are closed for up to 20 weeks at	3

	Question	Answered - Yes or No?	Comment / Observation	Status
			a time, and as such, the works associated with the scheme will have to demonstrate the ability to be flexible if there are delays to the bridge works.	
7	<p>What are the objectives of the proposed scheme?</p> <p>Are they SMART?</p> <p>How do they address the problems identified?</p> <p>Do they align with the organisations strategic aims?</p>	Yes	<p>The objectives are well defined and derived from the evidence base. Metrics have been defined as well as targets. In some cases the objectives include reference to the types of solutions. This could have impacted upon option development.</p> <p>The objectives address the problems identified. Further information on how they align with the key policy documents of Bedford Borough Council has been provided.</p>	3
8	How does the proposed scheme draw on best practice and evidence?	Yes	The scheme draws upon a well-developed evidence base and has involved benchmarking of similar urban areas. Reference to further sources of evidence that exist may also illustrate the case more robustly. For example, the High Street Strategy 2010, Growth Plan, Empty Shops Strategy could provide greater detail on need in relation to retail impacts. This information should be provided in the update to the business case prior to the signing of any funding agreement.	2
9	Who are the key stakeholders and how have they influenced the scheme? Are there any conflicts?	Yes	Key stakeholders are identified in the Stakeholder Management Plan. This outlines the approach going forwards from December 2017. Some information on the activities that have taken place so far and how they have influenced the project has been provided, although this is limited. An update on stakeholder engagement should be provided in the revision to the business case	2

	Question	Answered - Yes or No?	Comment / Observation	Status
			prior to the signing of any funding agreement.	
10	What was the process for generating and shortlisting options?	Yes	Option generation and shortlisting has taken place over an extended period of time. A logical and extensive process has been conducted that is broadly consistent with the WebTAG Stage 1 Appraisal Process. Further narrative within the Strategic Case would help to explain this process without the need to refer to a number of other documents. The selection of final scheme proposals after the bringing together of the two projects is less detailed, although a narrative explanation has been provided. Further information should be provided in the update to the business case prior to the signing of any funding agreement.	2
11	What is the scope of the project?	Yes	The scope of the project is well defined with reference to additional technical notes and drawings. This information should be updated in the business case document as the design work continues and prior to the signing of any funding agreement.	3
12	What are inter dependencies?	Yes	Some information on related projects is provided. There needs to be consistency in the information provided across all of the business case chapters.	2
13	What benefits are envisaged and how do they link to the objectives?	Yes	Benefits closely align with the objectives and are stated to include: <ul style="list-style-type: none"> • Improvement in journey times and journey time reliability • Increase in transport operating capacity • Reduction in town centre vehicle kilometres • Reduction in accidents 	3

	Question	Answered - Yes or No?	Comment / Observation	Status
			<ul style="list-style-type: none"> • Improvements in the quality the pedestrian environment • Increase in rateable values 	
14	What are the main risks in taking the project forward?	Yes	A short list of the main risks is provided. Further narrative on these would be useful and the information presented needs to align with the risk register and material presented in the Management Case.	3
15	Does the project fit within the relevant LEPs' Strategic Objectives	Yes	The alignment with the SEMLEP Strategic Objectives is set out, although supporting evidence is limited e.g. from the Benchmarking Exercise or other studies that have been conducted for the Council. This information should be provided in the update to the business case prior to the signing of any funding agreement.	2
16	Does the project support wider objectives, including wider transport and government objectives?	Yes	Reference is made to National Infrastructure Commission (NIC) Growth Corridor, Oxford - Cambridge expressway, Government's Cycling and Walking Investment Strategy and Government's Transport Catapult.	3
17	What will constitute success for the project, and how will it be measured?	Yes	Measures for success are outlined, along with proposed metrics and targets. There are signposts to the monitoring and evaluation plan in the Management Case.	3

3.2.2 Economic Case

	Question	Answered - Yes or No?	Comment / Observation	Status
1	<p>What options have been appraised?</p> <p>Why were options rejected?</p>	Yes	The Option Development process has been described within the Strategic Case and separate technical notes. The Business Case document only appraises a single project option. Alternative or lower cost options have not been appraised. Given how the project has developed over a period of time this seems appropriate.	3
2	<p>Has modelling and appraisal been completed using proportionate use of WebTAG Guidelines?</p> <p>Are the models used fit for purpose?</p> <p>Have future growth rates been considered and incorporated?</p> <p>Has the project has been successfully tested and appraised using the model?</p> <p>What assumptions have been made and on what basis? Is there an Economic Appraisal Report? Report on TUBA annualisation factors etc?</p>	Yes	<p>Different approaches have been used to assess VfM and this seems appropriate given the range of project proposals.</p> <p>There appears to have been proportionate use of WebTAG guidance for the calculation of traditional highway benefits for the AM and PM peak hours. The SATURN models utilised in the assessment generally follow WebTAG modelling guidelines, and where they don't the impact is not likely to be significant for the economic appraisal. TUBA inputs/outputs have been provided and seem robust/sensible. The TUBA warnings have also been checked and appear minimal.</p> <p>The application of VURT for pedestrian users benefits seems appropriate, with inputs factored appropriately for the Bedford context and to take account of updates to WebTAG Databook parameters.</p> <p>The assessment of retail impacts utilises the uplift in retail rateable values in accordance</p>	2

			<p>with the standard DCLG approach that focuses on Land Value Uplift. The values provided for the rateable values of premises in the 'High Street' and 'Pedestrianised Core' are based on a sample of five properties in each. This is a small number of properties but sufficient supporting information has been provided to suggest that these are representative.</p> <p>It is reassuring that (i) the analysis only captures 20% of the potential uplift and (ii) the impacts are phased over a five year period.</p> <p>The assessment finds that the improvements deliver a score of 30 compared to 36 for full pedestrianisation (or 83% of the total score). It therefore assumes that 83% of the potential impacts associated with pedestrianisation can be unlocked through these improvements. This requires that there is a linear relationship between the impacts of pedestrianisation, business rates, and the PERS scores, which is unlikely to be the case. However, given the context provided, we believe that it is reasonable to assume that a significant proportion of the potential improvements can be delivered. While it is not possible to precisely attribute the impacts in the manner undertaken here, it is unlikely to have a significant impact on the economic assessment.</p> <p>Calculation spreadsheets have been provided to bring together the assessment of the costs and</p>	
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			<p>benefits. Clarifications and updates have been addressed to confirm proportionate use of WebTAG guidance or where it has not been followed the approach is realistic and robust.</p> <p>The economic appraisal should be revisited following further detailed design work to confirm the balance of costs and benefits.</p>	
3	What direct and wider economic impacts will be delivered?	Yes	<p>No information is provided on the job or GVA impacts of the project proposals. However, it is noted that the scheme will provide additional wider economic impacts e.g. in supporting (indirectly) development opportunities. This information should be strengthened in the update to the business case prior to the signing of any funding agreement.</p>	2
4	Has the approach to assessing value for money been outlined? Does it accord with DfT's Value for money framework (July 2017)? Is there a VFM statement?	Yes	<p>A Value for Money Statement has been prepared and highlight the impacts, risks, assumptions and uncertainties present in the analysis and their implications for the proposal.</p> <p>The VfM assessment of the scheme is predicated on the achievement of non-transport benefits. The assessment is predominantly focused on transport, but the BCR depends on the retail impacts. Given this, further evidence on the retail market in Bedford which supports the assertion that retail rateable values would increase as a result of the transport investment would be welcome.</p> <p>The VfM Statement should be updated following further design work and cost estimation</p>	2

			prior to the signing of any funding agreement.	
5	Have the impacts been estimated in accordance with standard guidelines?	No	No WebTAG worksheets have been provided particularly in relation to environmental and social impacts. This information should be provided in the update to the business case prior to the signing of any funding agreement.	2
6	Have any assumptions outside webTAG guidelines been listed?	Yes	The Economic Case and associated calculation spreadsheets document the assumptions used in the economic appraisal.	3
7	What is the sensitivity of NPV to changes in assumptions and risk? What Optimism Bias has been assumed?	Yes	<p>Optimism Bias of 44% has been applied to costs for the economic appraisal given the level of scheme design.</p> <p>Sensitivity tests have been conducted and indicate the adjusted BCR could drop below 2 given changes in benefit calculations/assumptions.</p> <p>It should be noted that the BCR does not include an assessment of the highway impacts for the weekday interpeak and Saturday time periods due to the lack of suitable transport models. Whilst for the interpeak the economic impacts are likely to be minimal/neutral due to lower traffic levels, there is no information available for weekends. The impacts could have a positive or negative on the BCR.</p>	3

3.2.3 Financial Case

	Question	Answered - Yes or No?	Comment / Observation	Status
1	<p>How much does the project cost?</p> <p>Have whole life costs been provided?</p> <p>When will the costs occur?</p> <p>How have the costs been derived?</p> <p>What do the costs relate to?</p> <p>What is the breakdown and profile of costs to those parties on whom they fall?</p> <p>Does this match with the availability of LGF funding?</p> <p>Is there the potential to adjust the spend profile and/or the profile of funding from other sources?</p>	Yes	<p>Total project cost of £18.4m</p> <p>Whole life costs have been considered, with ongoing maintenance funded through BBCs maintenance budgets.</p> <p>Costs will occur between 2018 and 2021. The funding request increases each year, with greatest spend in 2020/21. The greatest proportion of the costs (84%) fall to SEMLEP, with remainder to be funded by BBC. SEMLEP should consider the impact this could have on the LGF funding profile and the risks associated with project delays.</p> <p>Costs are derived from individual assessments of scheme costs by BBC and their consultants, applying outturn unit cost rates/standard construction rates. External suppliers have assisted the development of the UTM/Technology project elements.</p> <p>A single inflationary uplift has been applied (Sept 2017-April 2018) despite the spend being across three years. This is unlikely to impact on the economic appraisal.</p> <p>There is potential to use the BBC contribution in a flexible way and possibly post 2021 if required.</p>	3
2	How reliable and committed are third party funders to the project?	Yes	BBC will fund the remainder of the project costs. The funding is included in the Council's forward capital budget, agreed by the Council's Executive on 20 September 2017. A supplementary	2

			appendix to the business case is being prepared to confirm the BBC contributions is still outstanding (S151 Officer). This information should be provided in the update to the business case prior to the signing of any funding agreement.	
3	If funding for the project involves borrowing how robust is the arrangement?	N/A	N/A	N/A
4	What are the key financial risks? Have these been quantified? Is there a robust risk management strategy?	Yes	A QRA has been conducted and figures from this used to reflect risk and uncertainty in relation to the costs. Whilst a separate Risk Management Strategy is not included within the business case, the approach to be adopted is outlined in a good amount of detail.	3
5	Has any sensitivity analysis been undertaken?	No	See above	3
6	Are there any state aid issues to address?	N/A	N/A	N/A

3.2.4 Commercial Case

	Question	Answered - Yes or No?	Comment / Observation	Status
1	Is there a contracting and procurement strategy? How was it developed?	Yes	A procurement strategy is in place with different approaches proposed for the different elements of the project. A diagram to explain this would assist in clarifying the approach. The strategy is based on the experience of successfully delivering other projects and making use of the different routes already available to BBC. This information should be strengthened in the update to the business case prior to the signing of any funding agreement.	3
2	Has an output based specification been produced?	No	No, given the level of design work completed. However, the necessary outcomes of the procurement strategy are outlined. This information should be strengthened in the update to the business case prior to the signing of any funding agreement.	3
3	What are the proposed payment mechanisms?	Yes	Payment timing will be adopted to maximise the value from the contract through minimising financing and construction costs.	3
4	What is the pricing framework and charging mechanisms?	Yes	The tendered elements will require the appointed Contractor to deliver the individual work elements for a specified lump sum of money, with compensation events should certain risks occur.	3
5	How will risks be apportioned or shared?	Yes	The intention is that following detailed design, risks will be transferred through the construction procurement process.	3
6	Is the proposed risk allocation consistent with the cost estimate?		A QRA has been conducted and figures from this used to reflect risk and uncertainty in relation to the costs..	3
7	Is there a developed market for the proposed procurement approach and financing arrangements?	Yes	Several procurement frameworks identified as being suitable for use and it is noted that works have	3

			been identified in the forward plan for these frameworks.	
8	What scenarios for contract length have been considered?	Yes	It is indicated that individual contract lengths will be relatively short - approx. 6 months. The procurement frameworks cover the required delivery period, with some recently retendered. This information should be strengthened in the update to the business case prior to the signing of any funding agreement.	3
9	Are there any personnel/people management implications?	No	Nothing identified.	3

3.2.5 Management Case

	Question	Answered - Yes or No?	Comment / Observation	Status
1	What is the project management approach?	No	Bedford's Programme Management Office Manual is appended to the business case and outlines the approach to project management.	3
2	<p>What are the governance arrangements?</p> <p>Is there a project board or similar?</p> <p>What is the allocation of roles and responsibilities?</p> <p>Do they have the relevant skills and experience?</p> <p>Who can make decisions and will have the final say on committing fund/accepting risk?</p>	Yes	<p>A Project Governance Board is in place and supported by Steering Group although there is overlap in the membership. A SRO has been identified - Craig Austin, Director of Environment.</p> <p>The roles and responsibilities of the Project Board and Steering Group are defined. The Steering Group, including the Project Manager, is shown to have relevant and recent experience of implementing schemes of a similar nature and size.</p> <p>The Project Governance Board will be responsible for key decisions including final say on committing funds; awarding contracts and managing risk.</p>	3
3	What is the proposed reporting and approval process?		The process for project reporting is defined to illustrate how delivery and quality will be controlled. Gateway stages are identified and include commencement of detailed design, commencement of procurement, commencement of works. It is noted that further project assurance will be undertaken in the form of BBC checkpoint reports which will be produced by the Technical Project Manager, agreed by the Steering Group and signed off by the Project Board. These checkpoint reports/decisions are to be reflected in the Project Plan.	3

4	Is there a project plan with key milestones and critical path?	Yes	The Project Plan covers each key stage of the project and the critical path. Tasks that could impact on completion are flagged in plan and mostly relate to interaction with the rail industry. The Plan will need to be developed in greater detail as the project progresses to ensure progress can be adequately tracked. This information should be updated in the business case prior to the signing of any funding agreement.	2
5	Are there any programme dependencies?	Yes	Three project dependencies are identified. These dependencies could all impact upon the successful delivery of the project within the necessary timescales.	3
6	Is there a Benefits Realisation Plan? What are the key targets, desired outcomes and wider impacts?	No	A BRP has yet to be produced although the Management Case includes indicators, metrics and acceptable thresholds that are proposed for tracking the realisation of the scheme objectives.	3
7	Is there a monitoring and evaluation plan?	Yes	A detailed Monitoring and Evaluation Plan is not provided as a separate Appendix. However, the Management Case includes details of the approach to be adopted, and confirms that BBC will provide funding for short and long term monitoring with reporting in the form as specified by SEMLEP. This information should be included in the update to the business case prior to the signing of any funding agreement.	3
8	How are stakeholders involved? Is there a communications strategy for the project?	Yes	A Stakeholder Management Plan has been provided which outlines the approach going forwards from December 2017. Some information has been provided on activities to date. Much of the stakeholder engagement work is yet to be completed. An update on stakeholder engagement should be provided in the revision to the business case prior to the signing of any funding agreement..	2

9	<p>What risks have been identified, what are the cost implications and how will they be managed?</p> <p>Are there any external factors that could affect the delivery of the scheme and are these adequately addressed in the risk register?</p>	Yes	A Risk Register has been developed and covers the main risk types for each of the three main project elements. This Risk Register has been used as part of a Quantified Risk Assessment.	3
10	What contract management arrangements are in place?	Yes	Sufficient detail provided at this stage, but further information will be required prior to implementing a funding agreement.	3

3.3 Recommendation

This section sets out the high-level findings of Due Diligence Assessment and our recommendations on whether the project satisfies the requirements of the Assurance Framework.

Given the information reviewed it is recommended the project is suitable for approval by SEMLEP subject to the business case being updated prior to the signing of a Funding agreement for 2018/2019. This update should include:

- Confirmation of the strategic fit and the case for change, including any additional or strengthened information identified in the assessment above;
- An update on the overall balance of benefits and costs (via an updated Economic Case including a Value for Money Statement). This should also consider any updates to the cost estimates and funding arrangements as a result of detailed design work;
- Given the importance of the retail benefits to the economic value of the scheme the economic case should also include reference to retail demand assessments for Bedford / Bedfordshire to demonstrate any latent demand for retail provision in the town that could be realised through the proposed transport improvements.
- Confirmation from Bedford Borough Council of its own capital funding programme and required assurance by Bedford Borough Council's S151 officer.
- A report on the outcomes of the public consultation and liaison with key groups/organisations affected by the proposals as set out in the Stakeholder Management Plan of the Business Case.
- Provision of detailed plans for monitoring and evaluating the benefits;
- Further detail on the procurement, proposed contract management resourcing, processes and benefit realisation plans;
- Further updates to the management arrangements (including risk management and updates to the QRA) and the Project Plan.

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