

THE LANCASHIRE ENTERPRISE PARTNERSHIP
ACCOUNTABILITY FRAMEWORK – TRANSPORT

Scheme Eligibility

The Lancashire Enterprise Partnership will only consider funding clearly defined schemes that are priorities in approved highways and transport masterplans. Such schemes could include packages of measures aimed at solving specific problems/issues that when combined support delivery of the Strategic Economic Plan, but subject to the funding only being available for capital expenditure. In all cases, funding will only contribute towards the capital cost of a scheme, including construction costs, land acquisition costs and Part 1 Claims under the Land and Compensation Act 1973. The Lancashire Enterprise Partnership will not fund scheme development and preparation costs nor any post scheme monitoring and evaluation.

The Lancashire Enterprise Partnership will consider funding exceptional structural maintenance schemes including bridges, tunnels, retaining walls and culverts with a minimum cost threshold of £2m. Decisions will reflect the economic importance of the structure(s) and the adverse effects failure to maintain would have. Local highway authorities will need to provide supporting information including the importance of the route, existing or likelihood of imminent weight restrictions, existing or potential diversionary routes and details of the work that they will need to undertake if restrictions are not to be imposed. Local highway authorities will also need to demonstrate why a scheme is not deliverable from other funding sources.

The Lancashire Enterprise Partnership will consider funding schemes on the networks of the Highways Agency and Network Rail, including in adjacent Local Enterprise Partnership areas, where such schemes contribute towards the delivery of the objectives of the Strategic Economic Plan and where funding is unlikely to be available through standard Highways Agency and Network Rail programmes. In such circumstances, the Lancashire Enterprise Partnership will hold early discussions with the Highways Agency and Network Rail, and where appropriate, adjacent Local Enterprise Partnerships, to enable their views to be taken into account. Where any rail schemes affect train services, the Lancashire Enterprise Partnership will also consult the relevant Train Operating Company and DfT Rail.

Local Funding Contribution

For all schemes, the Lancashire Economic Partnership will require scheme promoters to provide an absolute minimum 10% contribution towards total scheme construction cost and 100% of any increase in cost following the granting of Programme Entry. The 10% minimum local funding contribution cannot be waived by the LEP. Local transport authorities will therefore need to explore all potential sources of funding, including district council, European, developer / private sector and third party, in line with Department for Transport expectations.

The scheme promoter's Section 151 officer must underwrite the promoter's ability to fund the local contribution and any subsequent cost increases following the granting of Programme Entry. Scheme promoters must adhere to Department for Transport requirements as set out in WebTAG, the Department for Transport's web-based guidance on the conduct of transport studies, to ensure a consistent approach to variables such as construction inflation, the application of optimism bias and allowance for risk in the derivation of outturn costs.

Scheme Assessment and Appraisal

The Lancashire Enterprise Partnership will apply a proportionate approach to the development of transport business cases in line with the Business Case Development Process Chart attached. For

example, the transport business case for a £20m scheme will require significantly more detail than that for a £2m scheme. As a guide:

- For individual schemes requiring a Local Growth Fund contribution of greater than £5m and packages of small-scale measures requiring a Local Growth Fund Contribution of greater than £10m, the Lancashire Enterprise Partnership will require submission of Outline/Full Business Cases that demonstrate high value for money.
- For individual schemes requiring a Local Growth Fund contribution of less than £5m, a Strategic Outline Business Case will suffice, although a scheme will still need to demonstrate high value for money.
- For packages of small-scale measures requiring a Local Growth Fund contribution of up to £10m where no individual scheme has a capital cost greater than £5m, a Strategic Outline Business Case will suffice, although the package will still need to demonstrate high value for money.

For the avoidance of doubt, scheme promoters should seek advice from Transport for Lancashire at the earliest opportunity.

Scheme Approvals Process

For individual schemes requiring a Local Growth Fund contribution of greater than £5m and packages of small-scale measures requiring a Local Growth Fund Contribution of greater than £10m, the Lancashire Enterprise Partnership will adopt a three stage approvals process based on modified current practice. Schemes on the networks of either the Highways Agency or Network Rail may undergo a different approval process.

Stage 1: Programme Entry

Programme Entry indicates the Lancashire Enterprise Partnership's intention to provide funding to a scheme or package following acceptance of a Strategic Outline Business Case and its inclusion in the Strategic Economic Plan. Programme Entry is not an absolute commitment, but intended to provide sufficient assurance for the promoting authority to embark on Outline Business Case development.

Stage 2: Conditional Approval

Conditional Approval indicates the Lancashire Enterprise Partnership's acceptance of an Outline Business Case demonstrating high value for money. It is intended to provide the expectation of funding necessary for the promoting authority to apply for any statutory powers that may be required such as Transport and Works Act powers, highways orders, planning consents, compulsory purchase orders etc.

The Lancashire Enterprise Partnership will only grant Conditional Approval on the basis that there will be no material changes to the scheme's scope, cost, design, expected benefits and value for money. The granting of Conditional Approval may be subject to a small and limited number of conditions.

Stage 3: Full Approval

Full Approval indicates the Lancashire Enterprise Partnership's acceptance of a Full Transport Business Case and approval to proceed to implementation. It occurs when all necessary statutory powers are in place and any necessary conditions specified at Conditional Approval have been satisfied. Scheme promoters can only apply for Full Approval once procurement has taken place and a preferred bidder with firm and final prices selected. Once granted, Full Approval enables the scheme promoter to commence construction and draw down grant funds.

For individual schemes requiring a Local Growth Fund contribution of less than £5m or packages of small-scale measures requiring a Local Growth Fund contribution of up to £10m where no individual scheme has a capital cost greater than £5m, acceptance of a Strategic Outline Business Case indicates the Lancashire Enterprise Partnership's approval to proceed to implementation. This enables the scheme promoter to commence works and draw down grant funds.

The Transport Business Case

The Lancashire Enterprise Partnership requires all transport business cases to adhere to the key principles of the Department for Transport's Transport Business Case guidance (January 2013) and be fully compliant with the approach to modelling appraisal and analysis set out in WebTAG at the time they submit the transport business case. This will ensure that scheme assessment follows current best practice.

Each transport business case will need to include a clear statement of scheme objectives and the specific outcomes it is intended to deliver. Scheme promoters must base central case assessments on forecasts that are consistent with the latest version of the National Trip End Model (NTEM), the Department for Transport's planning dataset. As a minimum, Transport for Lancashire will expect to consider central case assessments as part of its scrutiny of transport business cases.

Outline Business Cases submitted for Conditional Approval must include a statement confirming that WebTAG has been followed. An Appraisal Summary Table (AST) will need to accompany submissions and demonstrate that the scheme offers high value for money. Scheme promoters must ensure that the Senior Responsible Owner signs off each AST as true and accurate.

Transport for Lancashire will scrutinise individual scheme business cases on behalf of the Lancashire Enterprise Partnership and advise accordingly. In order to secure the required expertise for transport business case scrutiny without Transport for Lancashire having to develop this capability and capacity in-house at considerable cost, Transport for Lancashire will utilise independent specialist consultants. For schemes where Lancashire County Council is not the scheme promoter, Transport for Lancashire will utilise Lancashire County Council's framework consultants to undertake transport business case scrutiny. For schemes promoted by Lancashire County Council, Transport for Lancashire will procure independent advice. This will ensure complete separation between scheme promoters and their own framework consultants and the appraisal team and decision makers.

To guarantee quality assurance, consultants appointed to undertake transport business case scrutiny will need to demonstrate significant previous experience in this field, for example, the successful preparation of major scheme business cases, and be fully conversant with Department for Transport appraisal and assessment processes such as WebTAG. As Accountable Body for the Lancashire Enterprise Partnership, Lancashire County Council will ensure that officers with appropriate technical experience of this type of work oversee the selection process.

The officer with overall responsibility for transport business case scrutiny and for advising Transport for Lancashire is Mike Kirby, Director of Commissioning, Lancashire County Council. This officer will have delegated authority to procure and appoint external consultants to assist Transport for Lancashire with independent business case scrutiny.

Where necessary, consultants appointed to review individual transport business cases and supporting analyses will be able to request the scheme promoter to provide further analysis and information to enable full and proper consideration of the scheme and to ensure that the appraisal and supporting data and assumptions are sufficiently robust and fit for purpose. Consultants will provide Transport for Lancashire with a formal report on each submitted transport business case specifying the outcome

of their assessment against the five case model set out in the Department for Transport's Transport Business Case guidance.

Value for Money

The Lancashire Enterprise Partnership will only approve schemes demonstrating high value for money, with a benefit to cost ratio (BCR) of greater than 2. Only in exceptional cases will the Lancashire Enterprise Partnership consider schemes with a BCR of less than 2. In such circumstances, the scheme promoter will need to demonstrate significant additional monetised or non-monetised benefits that are important in relation to stated strategic objectives, for example, schemes necessary to facilitate significant land development for employment or housing, and guarantee a minimum 30% local contribution.

Transport for Lancashire will provide the Lancashire Enterprise Partnership with a Value for Money assessment in line with published Department for Transport WebTAG guidance at each approval stage. As part of the independent scrutiny of a scheme's transport business case, Transport for Lancashire will require the consultant responsible to confirm that the Value for Money assessment aligns with the Department for Transport's Advice Note for Local Transport Decision Makers published in December 2013. Neil Kissock the County Council's Director of Financial Resources (and Section 151 officer) will sign off all Value for Money assessments as true and accurate. The Director of Financial Resources is not involved with scheme development and promotion at Lancashire County Council, thus avoiding any potential conflict of interest with regard to schemes promoted by the County Council.

A scheme must satisfy the Lancashire Enterprise Partnership's value for money requirements at both Conditional and Full Approval stages. Where a scheme fails to deliver a minimum benefit to cost ratio of greater than 2, the Lancashire Enterprise Partnership will seek independent professional advice on the magnitude of the stated additional benefits prior to determining whether these benefits are sufficient to offset this requirement.

Programme and Risk Management

In order to secure effective management of the Lancashire Enterprise Partnership's transport investment programme, Transport for Lancashire will set up a transparent process for monitoring progress on scheme delivery and spend and for informing responses to changed circumstances including scheme slippage and changes to scheme scope and/or costs.

Where there are issues of cost increases and/or delays to delivery, the Lancashire Enterprise Partnership will consider the following when deciding whether to continue to support a scheme:

- whether the cost increases and/or delays to delivery were unforeseen and unavoidable;
- whether the scheme promoter is willing and/or able to fund any cost increase;
- whether additional funding has been sought from other sources;
- whether the scale of the scheme can be reduced to fit the available budget;
- the impact of any cost increase on a scheme's value for money as reflected by its benefit to cost ratio; and
- whether any delay in scheme delivery can be accommodated within the programme.

The Lancashire Enterprise Partnership ultimately reserves the right to withdraw its support for a scheme.

The Lancashire Enterprise Partnership will require scheme promoters to submit a quarterly monitoring report (QMR) to Transport for Lancashire setting out progress on scheme preparation and/or delivery.

This will include a requirement for a quantified risk assessment. Transport for Lancashire will receive quarterly update reports outlining progress with delivery of the transport investment programme. It will collate the QMR information from scheme promoters, indicate progress against key milestones / deliverables and highlight any risks. A RAG (red/amber/green) rating will identify those schemes that are at risk of not meeting their programme objectives and that need urgent attention.

Monitoring and Evaluation

The Lancashire Enterprise Partnership will put in place a mechanism to ensure that it monitors and evaluates schemes in accordance with the appropriate Department for Transport guidance, and will publish the results on its website.

Business Case Development Process Chart

The process chart should be cross referenced against TfL's Assurance Framework in order to determine the status of each scheme.

