Preston Western Distributor

Full Business Case: Independent Review

Lancashire County Council

07 May 2019

Notice

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This document has 35 pages including the cover.

Document history

Revision	Purpose description	Originated	Checked	Reviewed	Authorised	Date
Rev 1.0	Final Review	RH	NS	HF	NS	30/04/2019
Rev1.1	Updated GVA & Funding profile	RH	NS	HF	NS	07/05/2019

Client signoff

Client	Lancashire County Council
Project	Preston Western Distributor
Job number	5185911
Client signature / date	

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1. Introduction

1.1. Overview

Atkins has been commissioned by Lancashire County Council to undertake an independent review of their business case submissions, which will be put forward to the Lancashire Enterprise Partnership (LEP) to seek and obtain funding via the Local Growth Deal.

We have created a scrutiny framework to review the business case submissions which has been developed based on the Department for Transport (DfT) business case guidance. The guidance details how each case model is expected to address certain aspects of the scheme in the submission. Each case model within the business case has been assessed against those aspects and judged on how well they are addressed.

This review represents Atkins' independent scrutiny of the Full Business Case (FBC) for the Preston Western Distributor scheme. It does not represent a detailed validation of technical analyses. The scheme, which is being promoted by Lancashire County Council, is seeking Full Approval.

This document presents our review of the **Preston Western Distributor Full Business Case.**

1.2. Methodology

The developed scrutiny framework has been based on a colour coded system that provides a transparent mechanism in assessing each case. Each individual aspect of the case model is given a colour of green, amber or red depending on:

- How well it has been addressed in the submission;
- How relevant it is in relation to the scheme; and
- How well it meets the acceptability criteria set out in the DfT guidance and LEP Accountability Framework.

Table 1-1 Ranking mechanism of the scrutiny framework

Element under scrutiny	Colour / Score	Description
Requirements fully met	1	No issues of note with the submission. Project to progress as scheduled.
Requirements substantially met	2	Minor issues exist with the submission. Project to progress and issues to be resolved.
Requirements partially met	3	Medium issues exist with the submission. Project to progress and issues to be resolved urgently.
Requirements not met	4	Critical issues exist with the submission. Project to be suspended whilst issues are resolved.

The schemes receive an overall colour and rating to show the general acceptability level of each case. The individual aspects to be assessed align with the full business case template provided by the Lancashire Enterprise Partnership under the five case models, as shown in Table 1-2.

Table 1-2 Aspects of the scrutiny framework

Case	Element	Aspects for scrutiny
Strategic Case	Strategic context	• Aims and objectives of the promoting organisation • What is driving the need to change at a strategic level
	Challenge or opportunity to be addressed	• The scope of work is clearly defined • All the current and future problems are identified • Key characteristics of the challenge to be addressed and the opportunity presented
	Strategic objectives	• A clear set of scheme objectives are defined • The objectives are well supported by evidence of problems and issues • Alignment with local, sub/regional and national development policy are established • The objectives are pragmatic and achievable
	Achieving success	• The existing arrangements cannot be better utilised without implementing fundamental changes • Experience is drawn from past project of similar nature • Scheme dependencies on any committed development and other adjacent major schemes are explored • Likely impact of “Do Nothing” scenario is presented • There is clear evidence to show the urgency of the scheme
	Delivery constraints	• Risks identified though the consultation process • Synergy with other relevant schemes
	Stakeholders	• List of stakeholders consulted or to be consulted in the course of the business case development • A clear communication strategy • Summarised outcomes of any consultation undertaken
	Strategic assessment of alternative options	• List of all the alternative options considered • The optioneering report is consistent with the defined scope and objectives • Option sifting process • Assessment of opportunities and constraints of the options • Detailed selection process of “Preferred”, “Next Best” and “Low Cost” option

Case	Element	Aspects for scrutiny
Economic Case	Value for money	• Compliance with DfT WebTAG guidance
	Economic assumptions	• WebTAG version • Price base year of the cost • Market price • Discount rate and year • Forecast year • Opening year • Appraisal period • Traffic growth • Safety assumptions • Environmental assumptions
	Sensitivity and risk profile	• Cost of alternative options • Cost allocation profile • Inflation • Quantified Risk Assessment (QRA) • Optimism Bias consideration and justification • Consistency of cost with other scheme of similar size and nature • Operating cost • Maintenance cost • Renewal cost
	Value for money statement	• Benefit Cost Ratio (BCR) • Net Present Value (NPV) • VfM category
	Appraisal summary table	• Economic assessment (TUBA) input and output information • Annualisation approach • Assessment of safety benefits • Assessment of social benefits • Assessment of environmental impact • Assessment of distributional impact • Cost to broad transport budget • Indirect tax revenue
Financial Case	Affordability assessment	• Assessment of affordability of all options
	Financial costs	• Construction period • Opening year • Inflation

Case	Element	Aspects for scrutiny
		• Base cost • Possible funding requirement • Quantitative risk assessment • Justification of optimism bias • Adjusted scheme cost
	Financial cost allocation	• Required funding by year • Funding mechanism • Available fund by different sources • Alternative sources of fund
	Financial risk	• Quantitative risk assessment • Justification of optimism bias
	Financial risk management	• Justification of funding profile by different sources
	Financial accountability	• Funding risk allocation and ownership.
Commercial Case	Commercial case	• Approach taken to assess commercial viability
	Procurement strategy	• Procurement strategy • Identified key stages of the procurement process • Alternative procurement strategy • Detail of the payment mechanism
	Identification of risk	• Identification of risk
	Risk allocation	• Allocation of risk
	Contract management	• Procurement mechanism and its programme • Risk allocation and transfer • Promoter's procurement experience • Benchmark with other procurement processes of similar schemes
Management Case	Governance	• Project promoter is established in the document • Clear management structure for the scheme delivery
	Go/No-go and decision milestones	• Key decision points identified.
	Project programme	• Project delivery programme, key milestones and dependencies
	Assurance and approvals plan	• Reporting protocol and subsequent approval procedure • Assurance of resource availability and allocation

Case	Element	Aspects for scrutiny
	Communications and stakeholder management	• Communication strategy between different parties • History of stakeholder consultation and the outcome
	Programme/ project reporting	• Project delivery programme, key milestones and dependencies • Reporting risks and programme delivery
	Risk management strategy	• Reporting procedure of risks • Delivery risks mitigation measures • Risk ownership • Benchmark of risk mitigation measures from similar past projects • Any contingency measures required for risk mitigation
	Monitoring and evaluation	• Approach to managing realisation of scheme benefit • Approach to post scheme implementation evaluation • Post implementation cost consideration
	Project management	• Overall approach to project management

1.3. Structure of Report

Following this introduction, this report contains the summary of the review in Chapter 2, structured as follows:

- Scheme description;
- Strategic case review;
- Economic case review;
- Financial case review;
- Commercial case review;
- Management case review; and
- Review summary.

Appendix A contains the detailed notes under each case which have formed the overall review of this scheme.

2. Scheme Review

2.1. Scheme Description

The proposed scheme provides a 4.3km dual carriageway road, which will link the M55 at a new Junction 2 near Bartle with the A583/A5085 to the west of Lea. It will support the delivery of over 5,000 dwellings at the North West Strategic Housing Location, improve access to the Strategic Road Network (SRN) and to/from the Enterprise Zone at Warton, and facilitate the provision of a new railway station at Cottam. The East-West Link Road (EWLR) and Cottam Link Road will provide access for local and through traffic to use the PWD.

The scheme includes a new all moves junction with the M55 (Junction 2) and a new junction at A583/A5085 Blackpool Road/Riversway and two new roundabouts for connection with the Cottam Link Road and the EWLR. It also includes a segregated 3m-wide footway and cycleway on the Eastern side of the PWD with controlled crossing facilities at all junctions on the route, extending from A583/A5085 Blackpool Road to Sidgreaves Lane / Lea Lane.

The proposed scheme is expected to alleviate congestion issues on the main arterials within Preston urban areas by shifting traffic from the M55 J1/A6 and M55 J3/A583 corridors to the new M55 J2 and the PWD route. As a result of traffic re-routing to this new standard dual carriageway, the scheme is anticipated to improve road safety and reduce the number of accidents particularly on the A583 and A6 roads. It will also facilitate the provision of public transport and environmental / public realm improvements on routes to and from Preston.

The full business case for this scheme was submitted for this independent review in April 2019. The scheme promoter is Lancashire County Council.

2.2. Strategic Case

The Strategic Case demonstrates how the scheme aligns with National Planning Policies, sub-national planning policies and local planning policies including the Central Lancashire Core Strategy, Preston Local Plan 2012-2026, North West Preston Masterplan, and Preston, South Ribble and Lancashire City Deal.

The Strategic Case provide evidence of the problems that support the need for the intervention. Problems are identified in relation to the operation of the network. The business case provides evidence of low average traffic speeds during the AM and PM peak periods impacting on key arterial and radial routes to and from the City. Existing congestion levels also impact on the Warton Enterprise Zone reducing the overall accessibility of this important site. This has led to the identification of three overarching objectives relating to unlocking housing development land, improving access to the Warton Enterprise Zone and reducing congestion.

A planning application for the scheme was submitted in May 2016, with planning permission granted in November 2018. Details of the land required for the completion of the scheme are articulated and confirmed through the Compulsory Purchase Order decision letter from the Secretary of State for Transport. The scheme has interdependencies with the provision of the East-West Link Road and the Strategic Case would benefit from further details regarding the delivery of this link.

The main stakeholder groups with an interest in the scheme have been identified. The scheme has strong and broad political support in LCC and has been subject to a comprehensive consultation as part of the planning application process.

A total of 20 options are identified in the business case (including the preferred option). As part of an initial sifting process these were reduced to six. A secondary sift then took place which assessed each option against the proposed secondary objectives and potential scheme costs resulting in the identification of the preferred scheme.

2.3. Economic Case

The Value for Money (VfM) statement reports a BCR of 2.19, which is classified as 'High VfM' by the Department for Transport.

The benefits for the scheme have been derived from a SATURN model known as Central Lancashire Transport Model (CLTM), which has a base year of 2013 and includes AM, Inter Peak and PM peak time periods. A Local Model Validation Report (LMVR) has been produced, setting out the development and validation of the base year model, which has been used as basis to assess the PWD scheme. The base year model generally accords with the required WebTAG criteria.

The forecast traffic models had been originally developed for 2019 and 2041 as the schemes' opening and design years respectively. The opening year has subsequently moved to 2022 with 2037 being expected to be the new design year. The traffic growth used to construct future years' trip matrices for the Outline Business Case (OBC) was based on the then prevailing National Trip End Model (NTEM) 6.2 for cars and Road Traffic Forecasts (RTF) 2015 for goods vehicles. For the Full Business Case (FB) the new NTEM 7.2 along with RTF15 have been used to develop the forecast models.

The forecast assignments which had been undertaken using fixed demand approach for the OBC have subsequently been undertaken based on Variable Demand Modelling (VDM) for the Full Business Case (FBC) submission. The approach to VDM has been agreed with Department for Transport (DfT). The forecast years for which model forecast have been developed for FBC include the opening year (2022), design year (2037) and a third forecast year of 2042.

A series of sensitivity tests have been undertaken to investigate the impact on the scheme BCR including travel demand variations (low and high growth) and the inclusion of trips generated by dependent development. The reported BCRs including the Wider Economic Impact (WEI) benefits for these tests showed a range of 2.10 to 3.02. Without the WEI benefits the same range is reported as 1.69 to 2.60.

A total of 20 options were identified in the business case (including the preferred option). These were subject to two sifting stages initially against the scheme primary objectives and feasibility/deliverability criteria. A total of six options were then taken forward from this initial process and assessed each option against the proposed secondary objectives and potential scheme costs.   The economic appraisal was however limited to the Core option.

The Present Value of Costs (PVC) for the proposed schemes is £133.63m over a 60-year period which includes construction, risk allocation and maintenance costs. An Optimism bias of 3% has been included in the cost calculations for economic appraisal which reflects the current state of the submission i.e. FBC in accordance with WebTAG.

The Present Value of Benefits (PVB) is reported as £292.1m. Out of total PVB, the benefits associated with user time savings, changes in vehicle operating costs, indirect tax revenues amount to £263.8m. The remaining net benefit of £28.3m arises from other monetised transport elements including construction and maintenance delay benefits; accident savings; air; noise and greenhouse savings.

The Preferred option can potentially generate additional GVA benefits of £108m due to indirect job creation. The environmental impacts include monetised impacts (Noise, Air Quality and Greenhouse gases) and non-monetised impacts (Landscape, Townscape, Historic Environment, Biodiversity and Water Environment). The social impacts are not monetised and have been assessed using quantitative and qualitative information. They include Physical Activity, Journey Quality, and Severance.

The majority of scheme benefits are associated with travel time savings for road users. There would be improvement in Safety, Noise and Air Quality. Disbenefits are reported from greenhouse gases emissions and increase in vehicle operating costs as well as a small increase of about £8m in indirect tax revenue. The reported non-monetised impacts of the scheme are beneficial for severance, physical activity and journey quality; Neutral for townscape; slight to moderately adverse for biodiversity, landscape, historic and water environment.

The Distributional Impacts (DIs) of the proposed scheme have been assessed on different groups of people, including those potentially more vulnerable to the effects of transport. Eight elements of impact have been considered including Noise, Air Quality, Accessibility, Security, Severance, User Benefits (journey times and vehicle operating costs), Affordability and Accidents.

The DI assessment showed that the PWD Scheme would have an impact on User Benefits, Affordability, Accidents, Noise and Air Quality. DI assessment for different income groups showed that all income quintiles will receive a positive impact for the User Benefits whilst they will all receive a negative impact regarding personal affordability. DI assessment for vulnerable groups showed that children, older people, pedestrians and cyclists will overall be positively affected by the scheme.

2.4. Financial Case

The Financial Case sets out the scheme cost at £185.295m (including inflation and risk but excluding sunk costs). A spend profile has been included which sets out year on year costs and breakdown by type of cost, but does not specify the parties on whom they fall, although it is acknowledged that the Local Growth Fund and Highways England funding can only be used to cover construction costs.

The key financial risks have been identified and a Monte Carlo Risk Assessment has been carried out and the median probability risk cost has been applied to the base costs in the line with the findings of the analysis. However, the risk register appears to contain risks for both the PWD and the EWLR and may therefore overestimate the overall risks for the PDW scheme.

Funding sources are stated as follows:

- Local Growth Fund - £58m;
- Highways England Pinch-point scheme - £25m; and
- City Deal - £102.295m (includes funding for the EWLR, sunk costs, inflation and risk).

Total funding is therefore secured for £185.295m.

LCC has agreed to underwrite the impact of any timing difference in relation to receipt of funding for schemes delivered within the City Deal framework. Confirmation is provided via letter from Section 151 officer that any scheme cost increase will be covered by LCC. However, the funding contribution stated in the letter does not equate to the figures quoted in the FBC - an updated version of the letter is to be provided.

Confirmation has been provided as to the long-term financial sustainability of the scheme and affordability including any ongoing costs for operation, maintenance and major capital renewals.

The scheme costs quoted in the Financial Case relate to the current cost estimates for the scheme and are not the final contractor Target Costs. The business case should therefore be updated once the final target costs are known.

2.5. Commercial Case

The Commercial Case sets out the chosen procurement strategy and lists the benefits of using this approach along with bodies that widely recognised this as the delivery mechanism for major civil engineering works. It is unclear exactly how the contract is set up, although the appointment is on a 3-phase basis and structured so that it can be terminated without penalty be either party between phases if value for money is not obtained at all times. Payment mechanisms for Phase 2 and 3 are referenced, including details on who is responsible for assessing the amount due at specified dates and when certification of payment is required.

Project Procurement Milestones are set out, both achieved and forecast. Costain will continue as contractor for Phase 3, subject to satisfactory agreement to the target cost.

A risk workshop has been held and informed a risk register that is a live document with joint ownership, which should lead to cost efficiencies.

Contract management details are limited, but it is anticipated that the construction contract length will be 41 months predicated on an Autumn 2019 commencement of works. The CPO Inquiry decision affords the opportunity of accessing the land early to potentially undertake the ecology and environmental mitigation works. This will require early serving of the GVD and resource is in place to enable this opportunity to be realised and significantly reduce the risk of contract length extension.

The procurement strategy is supported by a letter from the Section 151 Officer, which although it states that the strategy is well established and will protect the authority from unnecessary risk and challenge, while looking to secure value for money through MEAT evaluation criteria, does not specifically reference the contract and early termination arrangements.

2.6. Management Case

The Management Case sets out the governance structure and project delivery team and the key reporting lines for the programme management and delivery of the scheme. The project programme within the management and commercial cases is consistent.

Planning permission has been granted, and details of the CPO and SRO required for the completion of the scheme are confirmed through the decision letter from the Secretary of State for Transport.

Details of the reporting, approvals and assurance process are clearly set out.

Evidence on scheme delivery has been supplied, although there is no information on how lessons learned have been applied to the delivery of this scheme.

There is limited information on the risk management strategy, although a quantified risk register is included that provides details of the risks, owners and mitigation measures.

The communications strategy for the PWD is still currently being prepared and should have been provided ahead of Full Business Case.

A logic map is included as part of the M&E Plan. This sets out the causal pathway of the scheme from the context - input - output - outcome through to the impact of the scheme.

This scheme was selected by the DfT for Fuller Evaluation, and as such the Plan has been prepared in accordance with the DfT Fuller Evaluation guidelines. In addition, a number of LEP metric monitoring requirements are included, as set out by the LEP M&E Framework. All post opening reporting has been aligned to the DfT Year One & Year Five reporting timelines. The Plan sets out the data requirements and the associated timeframes to monitor the scheme objectives and associated scheme outcomes/ impacts. This includes indicative costs of undertaking the associated M&E. From a LEP perspective, the requirements are set out in the M&E Plan Appendix D LEP Economic Output Table. It would be useful to include the forecast figures for each of these metrics.

2.7. Economic Outcomes

LEP Expression of Interest

As part of the development of the Growth Deal Programme scheme promoters submitted an Expression of Interest (EOI) to the LEP for consideration in order to secure a place on the programme. The EOI submitted for the Preston Western Distributor Road contained the following key Economic Outcomes:

- Employment creation – 330 jobs created at the Lancashire Enterprise Zone at Warton as a direct result of the scheme. In addition, the Enterprise Zone at Samlesbury will indirectly generate 5,800 jobs.
- Housing Growth – Approximately 5,000 houses associated with the Masterplan at North West Preston development.
- Net GVA to 2024 - £65m.

Whilst the EOI indicated that the scheme would result in 330 jobs created at the Warton Enterprise Zone, the Economic Appraisal of scheme, as presented in the Business Case, has been developed on the basis that the scheme will improve access to this site, but it will not directly facilitate the creation of any new jobs. Thus, ‘jobs connected to the intervention’ are not included within the overall LEP monitoring and evaluation of the scheme.

In terms of the number of houses that are dependent upon the delivery of the scheme the Business Case has been developed on the basis that 3,575 dwellings are directly dependant on the scheme. This is taken from the Masterplan documentation for the North West Preston development, which indicates that the PWD will support the delivery of 5,320 dwellings by providing access for local traffic to the strategic road network and deterring it from using the congested routes to the east. However, 1,745 of these dwellings already had planning permission (prior to PWD being fully approved) and therefore could be delivered even without PWD in place. As such 3,575 of these dwellings are truly dependent on PWD.

A GVA assessment has been undertaken as part of the Business Case submission based upon the indirect jobs that would accrue as a result of the housing developments that are facilitated by the delivery of the scheme. Based on the assumption that each new dwelling will indirectly support 0.15 jobs in the local economy, it is estimated that the scheme will indirectly support 536 jobs. The FBC documentation estimates that this equates to a total GVA benefit of £108m (2010 prices and values).

Growth Deal Monitoring and Evaluation Framework

Monitoring and evaluation of the Growth Deal programme and the projects that sit within it is required by Government and the Lancashire Enterprise Partnership (LEP) in order to understand what has been spent and what has been delivered, to provide information for reporting back to Ministers and the public, and for influencing future policy. As a consequence, the LEP created a Monitoring and Evaluation Framework for the programme which was published in June 2018. Within the document data was presented with the agreed metrics that would be used to monitor the growth deal programme schemes along with the proposed frequency. The agreed metrics for the Preston Western Distributor Road is shown below in Table 2-1.

Table 2-1 Preston Western Distributor Road – Scheme Specific Metrics

Metric	Frequency
1. Total length of newly build road	Quarterly
2. Total length of new cycle ways	Quarterly
3. Type of infrastructure delivered	Biannual
4. Type of service improvement delivered	Biannual
5. Average daily traffic and by peak/ non-peak periods	Biannual
6. Average AM and PM peak journey time per mile on key routes (journey time measurement)	Biannual
7. Average AM and PM peak journey time on key routes (journey time measurement)	Biannual
8. Day-to-day travel time variability	Biannual
9. Average annual CO_2 emissions	Biannual
10. Accident rate	Biannual
11. Casualty rate	Biannual
12. Nitrogen Oxide and particulate emissions	Biannual
13. Traffic noise levels at receptor locations	Biannual
14. Pedestrians counts on new/ existing routes	Biannual
15. Cycle journeys on new/ existing routes	Biannual

A Monitoring and Evaluation (M&E) Plan has been developed for the proposed scheme which aims to cover the standard metrics collected as part a transport investment scheme and the specific metrics detailed in Table 2-1.

As documented within Section 9 of the M&E Plan, Table 9-A LEP Framework Metrics summarises the alignment between the LEP and DfT monitoring requirements. It has been agreed with LEP that it is appropriate to align the monitoring frequency of the LEP scheme specific metrics and all post opening reporting to the DfT Year 1 and Year 5 timeframes. Thus the ‘Frequency’ column within Table 2-1 above is effectively superseded by the DfT reporting timeframes.

The M&E Plan sets out the associated timeframes to monitor the scheme objectives and associated scheme outcomes/ impacts. The M&E Plan refers to the current planned scheme opening of Autumn 2022, which is inconsistent to the main FBC document (March 2023, as summarised in Table 6-A). This will impact on the envisaged dates for the Year 1 & 5 Post Opening Reports.

Within the M&E Plan, Appendix D LEP Economic Output Table summarises each of the LEP monitoring requirements. The following summary is an overview of observations relating to this table:

- The PWD is assumed to not directly unlock any employment, and as such no monitoring of jobs is proposed for this scheme. It is noted that 536 jobs are estimated to be indirectly created via the housing associated with the scheme, and that this estimation is associated with the GVA calculations.
- It is recommended that the forecast data for each of the scheme specific metrics is summarised within this table.

It is recommended that the M&E Plan, along with its supporting appendices should be updated.

2.8. Review Summary

This review represents Atkins' independent scrutiny of the Full Business Case (FBC) for the Preston Western Distributor scheme. It does not represent a detailed validation of technical analyses. The scheme, which is being promoted by Lancashire County Council, is seeking Full Approval from the Lancashire Local Enterprise Partnership (LEP) and funding via the Local Growth Deal.

Whilst the FBC contains the key information for seeking the Full Approval from the LEP there are a number of areas which need to be addressed. These include finalising the target price with the proposed contractor, updating the S151 Officer sign off letter to include the agreed financial contribution, finalising the Monitoring and Evaluation Plan, and obtaining approval from the DfT.

Atkins has been in dialogue with the scheme promoter and their transport consultants, Jacobs as the scheme has progressed, including face-to-face meetings. Accordingly, the business case (and supporting documents) has been subject to a series of updates culminating in the final submission document received on 16th April 2019.

Atkins is satisfied that the project has been developed to the expected standard in most areas. Overall, it is our recommendation that Full Approval for this project be granted subject to the points raised above.

The review summary table is presented in Table 2-3.

Table 2-2 Review summary table

Case	Score	Summary
Strategic Case	2	Requirements substantially met
Economic Case	1	Requirements fully met
Financial Case	2	Requirements substantially met
Commercial Case	1	Requirements fully met
Management Case	2	Requirements substantially met
Overall Score	**2**	**Requirements substantially met** - Minor issues exist with the submission. Project to progress and issues to be resolved**.**

Appendices

Appendix A. Assessment Scores

A.1. Summary

INDEPENDENT REVIEW			ATKINS
Project Title:	**Preston Western Distributor**	**Scheme Promoter:**	**Lancashire County Council**
Document Reviewed:	**Business Case**	**Permission Sought:**	**Full Approval**
Date of Submission:	**16/04/2019**	**Date of Review:**	**07/05/2019**
LEP Accountability Framework:	**The scheme is seeking Full Approval from the LEP and funding towards its £58m cost via the Local Growth Deal. In line with the LEP's Accountability Framework, a Full Business Case is required in order to seek Approval and draw down funds.**		
Scheme Description:	**The PWD preferred option consists of the construction of a new 4.3 km dual carriageway road, between the M55 and the A583/A5085 Blackpool Road/Riversway, to support delivery of the North West Preston strategic housing location (more than 5,000 dwellings) and improve access to both the Strategic Road Network in Northwest Preston, and to/from the Enterprise Zone at Warton.**		

SUMMARY SHEET

Overall Score:	**2**	**1**	**Requirements fully met** - No issues of note with the submission, project to progress as scheduled.
Overall Comments:	This review represents Atkins' independent scrutiny of the Full Business Case (FBC) for the Preston Western Distributor scheme. It does not represent a detailed validation of technical analyses. The scheme, which is being promoted by Lancashire County Council, is seeking Full Approval from the Lancashire Local Enterprise Partnership (LEP) and funding via the Local Growth Deal. Whilst the FBC contains the key information for seeking the Full Approval from the LEP there are a number of areas which need to be addressed. These include finalising the target price with the proposed contractor, updating the S151 Officer sign off letter to include the agreed financial contribution, finalising the Monitoring and Evaluation Plan, and obtaining approval from the DfT. Atkins has been in dialogue with the scheme promoter and their transport consultants, Jacobs as the scheme has progressed, including face-to-face meetings. Accordingly, the business case (and supporting documents) has been subject to a series of updates culminating in the final submission document received on 16th April 2019. Atkins is satisfied that the project has been developed to the expected standard in most areas. Overall, it is our recommendation that Full Approval for this project be granted subject to the points raised above.	**2**	**Requirements substantially met** - Minor issues exist with the submission. Project to progress and issues to be resolved.
		3	**Requirements partially met** - Medium issues exist with the submission. Project to progress and issues to be resolved urgently.
Benefit to Cost Ratio (BCR)	The Value for Money (VfM) statement reports a BCR of 2.19, which is classified as '**High VfM**' by the Department for Transport. The scheme also delivers wider economic benefits from labour supply, productivity and output change in imperfectly competitive markets, which equate to £55.4m (2010 prices, discounted to 2010) and results in adjusted BCR of 2.60.	**4**	**Requirements not met** - Critical issues exist with the submission. Project to be suspended whilst issues are resolved.

Case	Status	Comments
Strategic Case	**2**	The Strategic Case demonstrates how the scheme aligns with National Planning Policies, sub-national planning policies and local planning policies including the Central Lancashire Core Strategy, Preston Local Plan 2012-2026, North West Preston Masterplan, and Preston, South Ribble and Lancashire City Deal. The Strategic Case provide evidence of the problems that support the need for the intervention. Problems are identified in relation to the operation of the network. The business case provides evidence of low average traffic speeds during the AM and PM peak periods impacting on key arterial and radial routes to and from the City. Existing congestion levels also impact on the Warton Enterprise Zone reducing the overall accessibility of this important site. This has led to the identification of three overarching objectives relating to unlocking housing development land, improving access to the Warton Enterprise Zone and reducing congestion. A planning application for the scheme was submitted in May 2016, with planning permission granted in November 2018. Details of the land required for the completion of the scheme are articulated and confirmed through the Compulsory Purchase Order decision letter from the Secretary of State for Transport. The scheme has interdependencies with the provision of the East-West Link Road and the Strategic Case would benefit from further details regarding the delivery of this link. The main stakeholder groups with an interest in the scheme have been identified. The scheme has strong and broad political support in LCC and has been subject to a comprehensive consultation as part of the planning application process. A total of 20 options are identified in the business case (including the preferred option). As part of an initial sifting process these were reduced to six. A secondary sift then took place which assessed each option against the proposed secondary objectives and potential scheme costs resulting in the identification of the preferred scheme.
Economic Case	**1**	The Value for Money (VfM) statement reports a BCR of 2.19, which is classified as 'High VfM' by the Department for Transport. The benefits for the scheme have been derived from a SATURN model known as Central Lancashire Transport Model (CLTM), which has a base year of 2013 and includes AM, Inter Peak and PM peak time periods. A Local Model Validation Report (LMVR) has been produced, setting out the development and validation of the base year model, which has been used as basis to assess the PWD scheme. The base year model generally accords with the required WebTAG criteria. The forecast traffic models had been originally developed for 2019 and 2041 as the schemes' opening and design years respectively. The opening year has subsequently moved to 2022 with 2037 being expected to be the new design year. The traffic growth used to construct future years' trip matrices for the Outline Business Case (OBC) was based on the then prevailing National Trip End Model (NTEM) 6.2 for cars and Road Traffic Forecasts (RTF) 2015 for goods vehicles. For the Full Business Case (FB) the new NTEM 7.2 along with RTF15 have been used to develop the forecast models. The forecast assignments which had been undertaken using fixed demand approach for the OBC have subsequently been undertaken based on Variable Demand Modelling (VDM) for the Full Business Case (FBC) submission. The approach to VDM has been agreed with Department for Transport (DfT). The forecast years for which model forecast have been developed for FBC include the opening year (2022), design year (2037) and a third forecast year of 2042. A series of sensitivity tests have been undertaken to investigate the impact on the scheme BCR including travel demand variations (low and high growth) and the inclusion of trips generated by dependent development. The reported BCRs including the Wider Economic Impact (WEI) benefits for these tests showed a range of 2.10 to 3.02. Without the WEI benefits the same range is reported as 1.69 to 2.60. A total of 20 options were identified in the business case (including the preferred option). These were subject to two sifting stages initially against the scheme primary objectives and feasibility/deliverability criteria. A total of six options were then taken forward from this initial process and assessed each option against the proposed secondary objectives and potential scheme costs. The economic appraisal was however limited to the Core option. The Present Value of Costs (PVC) for the proposed schemes is £133.63m over a 60-year period which includes construction, risk allocation and maintenance costs. An Optimism bias of 3% has been included in the cost calculations for economic appraisal which reflects the current state of the submission i.e. FBC in accordance with WebTAG. The Present Value of Benefits (PVB) is reported as £292.1m. Out of total PVB, the benefits associated with user time savings, changes in vehicle operating costs, indirect tax revenues amount to £263.8m. The remaining net benefit of £28.3m arises from other monetised transport elements including construction and maintenance delay benefits; accident savings; air; noise and greenhouse savings. The Preferred option can potentially generate additional GVA benefits of £108m due to indirect job creation. The environmental impacts include monetised impacts (Noise, Air Quality and Greenhouse gases) and non-monetised impacts (Landscape, Townscape, Historic Environment, Biodiversity and Water Environment). The social impacts are not monetised and have been assessed using quantitative and qualitative information. They include Physical Activity, Journey Quality, and Severance. The majority of scheme benefits are associated with travel time savings for road users. There would be improvement in Safety, Noise and Air Quality. Disbenefits are reported from greenhouse gases emissions and increase in vehicle operating costs as well as a small increase of about £8m in indirect tax revenue. The reported non-monetised impacts of the scheme are beneficial for severance, physical activity and journey quality; Neutral for townscape; slight to moderately adverse for biodiversity, landscape, historic and water environment. The Distributional Impacts (DIs) of the proposed scheme have been assessed on different groups of people, including those potentially more vulnerable to the effects of transport. Eight elements of impact have been considered including Noise, Air Quality, Accessibility, Security, Severance, User Benefits (journey times and vehicle operating costs), Affordability and Accidents. The DI assessment showed that the PWD Scheme would have an impact on User Benefits, Affordability, Accidents, Noise and Air Quality. DI assessment for different income groups showed that all income quintiles will receive a positive impact for the User Benefits whilst they will all receive a negative impact regarding personal affordability. DI assessment for vulnerable groups showed that children, older people, pedestrians and cyclists will overall be positively affected by the scheme.

Case	Status	Comments
Financial Case	2	The Financial Case sets out the scheme cost at £185.295m (including inflation and risk but excluding sunk costs). A spend profile has been included which sets out year on year costs and breakdown by type of cost, but does not specify the parties on whom they fall, although it is acknowledged that the Local Growth Fund and Highways England funding can only be used to cover construction costs. The key financial risks have been identified and a Monte Carlo Risk Assessment has been carried out and the median probability risk cost has been applied to the base costs in the line with the findings of the analysis. However, the risk register appears to contain risks for both the PWD and the EWLR and may therefore overestimate the overall risks for the PDW scheme. Funding sources are stated as follows: - Local Growth Fund - £58m; - Highways England Pinch-point scheme - £25m; and - City Deal - £102.295m (includes funding for the EWLR, sunk costs, inflation and risk). Total funding is therefore secured for £185.295m. LCC has agreed to underwrite the impact of any timing difference in relation to receipt of funding for schemes delivered within the City Deal framework. Confirmation is provided via letter from Section 151 officer that any scheme cost increase will be covered by LCC. However, the funding contribution stated in the letter does not equate to the figures quoted in the FBC - an updated version of the letter is to be provided. Confirmation has been provided as to the long-term financial sustainability of the scheme and affordability including any ongoing costs for operation, maintenance and major capital renewals. The scheme costs quoted in the Financial Case relate to the current cost estimates for the scheme and are not the final contractor Target Costs. The business case should therefore be updated once the final target costs are known.
Commercial Case	1	The Commercial Case sets out the chosen procurement strategy and lists the benefits of using this approach along with bodies that widely recognised this as the delivery mechanism for major civil engineering works. It is unclear exactly how the contract is set up, although the appointment is on a 3-phase basis and structured so that it can be terminated without penalty be either party between phases if value for money is not obtained at all times. Payment mechanisms for Phase 2 and 3 are referenced, including details on who is responsible for assessing the amount due at specified dates and when certification of payment is required. Project Procurement Milestones are set out, both achieved and forecast. Costain will continue as contractor for Phase 3, subject to satisfactory agreement to the target cost. A risk workshop has been held and informed a risk register that is a live document with joint ownership, which should lead to cost efficiencies. Contract management details are limited, but it is anticipated that the construction contract length will be 41 months predicated on an Autumn 2019 commencement of works. The CPO Inquiry decision affords the opportunity of accessing the land early to potentially undertake the ecology and environmental mitigation works. This will require early serving of the GVD and resource is in place to enable this opportunity to be realised and significantly reduce the risk of contract length extension. The procurement strategy is supported by a letter from the Section 151 Officer, which although it states that the strategy is well established and will protect the authority from unnecessary risk and challenge, while looking to secure value for money through MEAT evaluation criteria, does not specifically reference the contract and early termination arrangements.
Management Case	2	The Management Case sets out the governance structure and project delivery team and the key reporting lines for the programme management and delivery of the scheme. The project programme within the management and commercial cases is consistent. Planning permission has been granted, and details of the CPO and SRO required for the completion of the scheme are confirmed through the decision letter from the Secretary of State for Transport. Details of the reporting, approvals and assurance process are clearly set out. Evidence on scheme delivery has been supplied, although there is no information on how lessons learned have been applied to the delivery of this scheme. There is limited information on the risk management strategy, although a quantified risk register is included that provides details of the risks, owners and mitigation measures. The communications strategy for the PWD is still currently being prepared and should have been provided ahead of Full Business Case. A logic map is included as part of the M&E Plan. This sets out the causal pathway of the scheme from the context - input - output - outcome through to the impact of the scheme. This scheme was selected by the DfT for Fuller Evaluation, and as such the Plan has been prepared in accordance with the DfT Fuller Evaluation guidelines. In addition, a number of LEP metric monitoring requirements are included, as set out by the LEP M&E Framework. All post opening reporting has been aligned to the DfT Year One & Year Five reporting timelines. The Plan sets out the data requirements and the associated timeframes to monitor the scheme objectives and associated scheme outcomes/ impacts. This includes indicative costs of undertaking the associated M&E. The M&E Plan refers to the current planned scheme opening of Autumn 2022, which is inconsistent to the main FBC document (March 2023, as summarised in Table 6-A). From a LEP perspective, the requirements are set out in the M&E Plan Appendix D LEP Economic Output Table. It would be useful to include the forecast figures for each of these metrics.

Sign-Off			
Reviewer's Signature:	A N [signature]	**Date:**	07/05/2019

A.2. Strategic Case

INDEPENDENT REVIEW

Project Title:	**Preston Western Distributor**		
Permission Sought:	**Full Approval**	**Date of Review:**	**07/05/2019**
STRATEGIC CASE			

Overall Score	**2**	**1**	**Requirements fully met** - No issues of note with the submission.
Atkins Comments:	The Strategic Case demonstrates how the scheme aligns with National Planning Policies, sub-national planning policies and local planning policies including the Central Lancashire Core Strategy, Preston Local Plan 2012-2026, North West Preston Masterplan, and Preston, South Ribble and Lancashire City Deal. The Strategic Case provide evidence of the problems that support the need for the intervention. Problems are identified in relation to the operation of the network. The business case provides evidence of low average traffic speeds during the AM and PM peak periods impacting on key arterial and radial routes to and from the City. Existing congestion levels also impact on the Warton Enterprise Zone reducing the overall accessibility of this important site. This has led to the identification of three overarching objectives relating to unlocking housing development land, improving access to the Warton Enterprise Zone and reducing congestion. A planning application for the scheme was submitted in May 2016, with planning permission granted in November 2018. Details of the land required for the completion of the scheme are articulated and confirmed through the Compulsory Purchase Order decision letter from the Secretary of State for Transport. The scheme has interdependencies with the provision of the East-West Link Road and the Strategic Case would benefit from further details regarding the delivery of this link. The main stakeholder groups with an interest in the scheme have been identified. The scheme has strong and broad political support in LCC and has been subject to a comprehensive consultation as part of the planning application process. A total of 20 options are identified in the business case (including the preferred option). As part of an initial sifting process these were reduced to six. A secondary sift then took place which assessed each option against the proposed secondary objectives and potential scheme costs resulting in the identification of the preferred scheme.	**2**	**Requirements substantially met** - Minor issues exist with the submission.
		3	**Requirements partially met** - Medium issues exist with the submission.
		4	**Requirements not met** - Critical issues exist with the submission.

Ref	Item	Status	Comments
S1	Is there a clear description of the components of the scheme and how it fits with the aims and objectives of the LEP, Local Authorities and DfT?	Requirements Fully Met	The proposed scheme includes the following: • A new 4.5km dual carriageway road between the M55 and the A583/A5085 Blackpool Road/Riversway; • Construction of a new all moves junction with the M55 (Junction 2); • Construction of a new roundabout at the A583/A5085 Blackpool Road/Riversway; • Two new roundabouts for connection with the Cottam Link Road and the East-West Link Road (EWLR); • Construction of the Cottam Link Road providing access into Cottam development areas and the potential Cottam Parkway Railway Station; and • A segregated 3m wide footway and cyceway on the Eastern side of the PWD with controlled crossing facilities at all junctions. The Strategic Case demonstrates how the scheme aligns with National Planning Policies, sub-national planning policies and local planning policies including the Central Lancashire Core Strategy, Preston Local Plan 2012-2026, North West Preston Masterplan, and Preston, South Ribble and Lancashire City Deal.
S2	Have the problem(s) the scheme will be addressing been clearly identified – including evidence of the extent of the problem(s), specific barriers / challenges, and how the scheme will overcome them (including the scale of impact)	Requirements Substantially Met	Problems are identified in relation to the operation of the network. The business case provides evidence of low average traffic speeds during the AM and PM peak periods impacting on key arterial and radial routes to and from the City. Existing congestion levels also impact on the Warton Enterprise Zone reducing the overall accessibility of this important site. The business case also states that buses in the study area suffer from poor journey time reliability, although this is predicated on the basis of general congestion and anecdotal evidence, rather that direct evidence related to bus journey time data. It is also indicated that accident rates on key routes are higher than the national average and that congestion is adding to air pollution. It is also identified that there is insufficient highway capacity to release the proposed scale of housing in the area and the growth of employment sites are being constrained by traffic congestion levels. Planning conditions are in place that require upgrades to the highway capacity in order to release large scale housing developments in the area. The Strategic Case evidence does not include details on the scale of the forecast impact of the scheme relative to the Do Minimum scenario and therefore what impact it would have on the identified problems. However, information on forecast traffic flows in provided within the Traffic Forecasting Report (Appendix H).
S3	Has the impact of not progressing the scheme been set out, including supporting evidence? Is there adequate rationale to support why the scheme is needed now?	Requirements Fully Met	Without an intervention, evidence indicates that all the identified problems will be exacerbated in the future and will be constraining investment and growth in Central Lancashire. The business case also makes clear that a high number new homes (5,000+) will not be realised in the absence of the scheme.
S4	Are there a clearly defined set of objectives for the scheme to address the problem(s) identified?	Requirements Fully Met	Three primary objectives have been identified for the scheme, which are stated as being critical to delivery of the Central Lancashire Core Strategy, as follows: 1. Support local economic growth by unlocking housing development in North West Preston; 2. Improve access of the Warton Enterprise Zone to strategic road network and wider labour market catchment; and 3. Reduce congestion and associated delays on the arterial and radial routes within the Preston urban area. These are supplemented by a further eight supporting objectives which relate to the identified problems.
S5	Are there any remaining high level internal/external constraints or other factors that present a material risk to the delivery of this scheme?	Requirements Fully Met	It is stated in the Strategic Case that a planning application was submitted for the scheme in May 2016, with planning permission granted in November 2018. Following planning consent, LCC started a process of acquiring land for the construction of the scheme and improvement of existing highways in the vicinity of the PWD through CPO. Thirty four letters of objection were received from statutory objectors, although many of these were withdrawn before reaching a public inquiriy following agreements between the objectors and LCC. During the public inquiry the remaining issues relating to the objections were either withdrawn or satisfactorily addressed. The planning inspector formally closed the public inquiry on the 19th December and submitted his recommendation to the Secretary of State for Transport for the final approval which was granted in April 2019. The decision letter is included in Appendix D.

Ref	Item	Status	Comments
S6	Have any inter-dependencies which may affect the success of the scheme been identified?	Requirements Partially Met	The scheme is interdependent with the East-West Link Road (EWLR) which provides the spine through the Strategic Housing Development and therefore provides the connectivity to the PWD of the 5000+ houses proposed. It is stated that the funding arrangements for the two schemes are different and therefore for the purpose of the PWD FBC it is assumed that the EWLR is a separate scheme. Conversely, the Cottam Link Road providing access into the Cottam development areas and the potential Cottam Parkway Rail Station is included in the PWD scheme. The delivery of the EWLR is a vital component in the successful release of the housing in in the area and the Strategic Case would have benefited from further details regarding the delivery of this link and its interelationship wit the PWD.
S7	Are any links with other schemes clear?	Requirements Partially Met	See comments above.
S8	Have the main stakeholder groups and their contribution to the project been clearly defined? This should include any potential constraints or conflicts between stakeholders groups.	Requirements Substantially Met	The main stakeholder groups with an interest in the scheme have been identified. The scheme has strong and broad political support in LCC and has been subject to a comprehensive consultation as part of the planning application process. Where concerns were expressed mitigation measures have been incorporated into the design where possible. However, details of any constraints or conflicts between stakeholder groups are not provided.
S9	Is there a robust assessment of different scheme options, including the reasons for any options being discounted?	Requirements Fully Met	A total of 20 options are identified in the business case (including the preferred option). As part of an initial sifting process each of the options have been considered in high level terms against the scheme objectives and against a feasibility/deliverability assessment. Following this process six options were taken forward to a secondary sift which assessed each option against the proposed secondary objectives and potential scheme costs. A summary of the process is included in the Strategic Case with further information provided in a supporting Options Assessment Report.
S10	Have details of stakeholder and public consultation been provided?	Requirements Fully Met	A Consultation Report (Appendix C) has been provided including details as to how the scheme has been refined through the consultation and stakeholder engagement process.

A.3. Economic Case

INDEPENDENT REVIEW ATKINS

Project Title:	**Preston Western Distributor**		
Permission Sought:	**Full Approval**	**Date of Review:**	**07/05/2019**
ECONOMIC CASE			

Overall Score	**1**	**1**	**Requirements fully met** - No issues of note with the submission.
Atkins Comments:	The Value for Money (VfM) statement reports a BCR of 2.19, which is classified as 'High VfM' by the Department for Transport. The benefits for the scheme have been derived from a SATURN model known as Central Lancashire Transport Model (CLTM), which has a base year of 2013 and includes AM, Inter Peak and PM peak time periods. A Local Model Validation Report (LMVR) has been produced, setting out the development and validation of the base year model, which has been used as basis to assess the PWD scheme. The base year model generally accords with the required WebTAG criteria. The forecast traffic models had been originally developed for 2019 and 2041 as the schemes' opening and design years respectively. The opening year has subsequently moved to 2022 with 2037 being expected to be the new design year. The traffic growth used to construct future years' trip matrices for the Outline Business Case (OBC) was based on the then prevailing National Trip End Model (NTEM) 6.2 for cars and Road Traffic Forecasts (RTF) 2015 for goods vehicles. For the Full Business Case (FB) the new NTEM 7.2 along with RTF15 have been used to develop the forecast models. The forecast assignments which had been undertaken using fixed demand approach for the OBC have subsequently been undertaken based on Variable Demand Modelling (VDM) for the Full Business Case (FBC) submission. The approach to VDM has been agreed with Department for Transport (DfT). The forecast years for which model forecast have been developed for FBC include the opening year (2022), design year (2037) and a third forecast year of 2042. A series of sensitivity tests have been undertaken to investigate the impact on the scheme BCR including travel demand variations (low and high growth) and the inclusion of trips generated by dependent development. The reported BCRs including the Wider Economic Impact (WEI) benefits for these tests showed a range of 2.10 to 3.02. Without the WEI benefits the same range is reported as 1.69 to 2.60. A total of 20 options were identified in the business case (including the preferred option). These were subject to two sifting stages initially against the scheme primary objectives and feasibility/deliverability criteria. A total of six options were then taken forward from this initial process and assessed each option against the proposed secondary objectives and potential scheme costs. The economic appraisal was however limited to the Core option. The Present Value of Costs (PVC) for the proposed schemes is £133.63m over a 60-year period which includes construction, risk allocation and maintenance costs. An Optimism bias of 3% has been included in the cost calculations for economic appraisal which reflects the current state of the submission i.e. FBC in accordance with WebTAG. The Present Value of Benefits (PVB) is reported as £292.1m. Out of total PVB, the benefits associated with user time savings, changes in vehicle operating costs, indirect tax revenues amount to £263.8m. The remaining net benefit of £28.3m arises from other monetised transport elements including construction and maintenance delay benefits; accident savings; air; noise and greenhouse savings. The Preferred option can potentially generate additional GVA benefits of £108m due to indirect job creation. The environmental impacts include monetised impacts (Noise, Air Quality and Greenhouse gases) and non-monetised impacts (Landscape, Townscape, Historic Environment, Biodiversity and Water Environment). The social impacts are not monetised and have been assessed using quantitative and qualitative information. They include Physical Activity, Journey Quality, and Severance. The majority of scheme benefits are associated with travel time savings for road users. There would be improvement in Safety, Noise and Air Quality. Disbenefits are reported from greenhouse gases emissions and increase in vehicle operating costs as well as a small increase of about £8m in indirect tax revenue. The reported non-monetised impacts of the scheme are beneficial for severance, physical activity and journey quality; Neutral for townscape; slight to moderately adverse for biodiversity, landscape, historic and water environment. The Distributional Impacts (DIs) of the proposed scheme have been assessed on different groups of people, including those potentially more vulnerable to the effects of transport. Eight elements of impact have been considered including Noise, Air Quality, Accessibility, Security, Severance, User Benefits (journey times and vehicle operating costs), Affordability and Accidents. The DI assessment showed that the PWD Scheme would have an impact on User Benefits, Affordability, Accidents, Noise and Air Quality. DI assessment for different income groups showed that all income quintiles will receive a positive impact for the User Benefits whilst they will all receive a negative impact regarding personal affordability. DI assessment for vulnerable groups showed that children, older people, pedestrians and cyclists will overall be positively affected by the scheme.	**2**	**Requirements substantially met** - Minor issues exist with the submission.
		3	**Requirements partially met** - Medium issues exist with the submission.
		4	**Requirements not met** - Critical issues exist with the submission.

Ref	Item	Status	Comments
E1	Has a Value for Money Statement been provided, including a BCR?	Requirements Fully Met	The Value for Money (VfM) statement reports a BCR of 2.19 which is classified as 'High VfM' by the Department for Transport.
E2	Are there any key assumptions relating to how the BCR has been derived?	Requirements Fully Met	The benefits for the scheme have been derived from a SATURN traffic model known as Central Lancashire Transport Model (CLTM). The study area of the CLTM extends over a wide area which has been modelled in three different levels of details namely: Area of detailed modelling (Detailed); Rest of fully modelled area (ROFMA) and External Area (the rest of Great Britain). The model has a Base Year (BY) of 2013 covering AM peak (8:00-9:00), Inter peak (average 10.00-16:00) and PM peak (17:00-18:00). The demand data used in developing of the Base Year model has been collected using a mixture of observed and synthetic data, constructed following WebTAG guidance. The travel data collected include origin-destination data across 26 roadside survey locations in and around the study area as well as traffic counts and journey time data. The synthetic demand was established using data sources including from Census, NTS, and employment survey data. The modelled network was created from the ITN network which is provided by Ordnance Survey. The modelled BY assignments by and large satisfy WebTAG criteria in terms of convergence, modelled flows and journey times. The forecast models were developed using growth predictions from the current National Trip End Model (NTEM) Version 7.2 for cars and Road Traffic Forecasts (RTF) 2015 for goods vehicles. A Variable Demand Model (VDM) was developed for the PWD scheme using DIADEM 5.0 software. The demand model was calibrated in accordance with WebTAG Unit M2. The responses included in VDM are trips frequency, trip distribution and cost damping. Forecast models were provided for three forecast years: the opening year (2022), 15 years after opening i.e. design year (2037) and for 2042. The outputs from these forecast models underpin the economic appraisal which produces the BCR.
E3	Is the basis for the calculation of the Present Value of Benefits (PVB) sufficiently robust?	Requirements Fully Met	The total monetised Present Value of Benefits (PVB) for the scheme over a 60 year assessment period is £292.1m (2010 prices discounted to 2010). The TUBA programme has been used to calculate the benefits in terms of user time savings, changes in vehicle operating costs, indirect tax revenues which amounts to £272m. A further net benefit of £20.1m is derived from other transport elements which can be monetised including construction and maintenance delay benefits; accident savings; air; noise and greenhouse savings. The calculations of the schemes' various benefits and its allocation have been undertaken in accordance with WebTAG guidance.
E4	Is the basis for the calculation of the Present Value of Cost (PVC) sufficiently robust?	Requirements Substantially Met	The proposed scheme Present Value of Costs (PVC) is £133.63m (2010 prices) over a 60 year period. This comprises the following: • Base cost - this includes preparation, construction, land/property and construction supervision costs. • Risk allocation -A quantified risk assessment (QRA) has been undertaken to consider those risks that may impact upon scheme costs, with an assessment made of their likelihood and the associated financial impact. The QRA was undertaken by LCC and the ECI Contractor (details are reported in the Financial Case). In addition, a Monte Carlo risk probability analysis has been undertaken and the 50% likelihood value was carried forward and added to the Base Costs to derive risk-adjusted cost estimates. The risk allowance was calculated in this process as £15.6m in 2019 prices (undiscounted) which accounts for about 8.5% of the total scheme cost of £185.1m in 2019 prices. • Maintenance Costs Estimates: These were produced using Table 4/1 of the QUADRO manual 2017 (DMRB Volume 14 Sec 1 Part 2 Chapter 4) containing typical maintenance profiles, costs, durations and timings for new roads. • Optimism bias - this has been applied at a rate of 3% in line with WebTAG guidance (Unit A1.2). The Cost Estimate was independently verified by Corderoy in January 2017 and by Ridge and Partners Ltd in December 2017. The basis of cost calculations can be considered satisfactory. The FBC states that a final cost verification exercise will be commissioned prior to contract award to establish robustness of the Target Cost. However it must be noted that the cost used to calculate PVC is not the Tender Cost which can be higher than the Target Cost. Should the Tender Cost be notably higher than Target Cost, its impact on the BCR needs to be established. Currently, an increase of 10% in the current PVC would result in a BCR of under 2.0 which is a threshold between high and medium value for money.
E5	Has an appropriate level of optimism bias been applied?	Requirements Fully Met	Optimism bias has been applied at a rate of 3% which is in line with the guidance as set out in WebTAG Unit A1.2. However as mentioned above the cost for this submission is not based on tender cost. If the Tender Cost notably exceeds the current Target Cost estimate, it can lead to lowering the BCR below the 2 threshold.
E6	Has an appropriate level of risk cost been included?	Requirements Fully Met	A Quantified Risk Assessment (QRA) for PWD has been undertaken by LCC and Costain dated March 2019 in order to determine the amount of risk to be applied to the base costs. The latest version of QRA appended to the FBC shows 306 risks attributed to LCC or contractor (Costain). The risks have been assessed and where possible addressed introducing mitigation measures leaving 130 currently active and quantified. Following mitigation, 15 risks remain with a high value in the most probable category. An evaluation process was undertaken to attribute lowest, most probable and highest value to the risks. The current risk allowance in the scheme cost has been reported at about £15.6m in 2019 prices.

Ref	Item	Status	Comments
E7	Is the traffic modelling and forecasting approach / tools sufficiently robust? Has relevant supporting documentation been provided to substantiate that modelling undertaken is fit for purpose?	Requirements Fully Met	A Local Model Validation Report (LMVR) has been produced, setting out the development and validation of the base year SATURN model, which has been used as basis to assess the scheme. The LMVR has been reviewed for the purpose this scheme. It includes the information on performance of the base year model against the criteria set out in WebTAG Unit M3.1. The LMVR showed that the model generally accords with the observed data and use of Matrix Estimation has not significantly altered performance of the base year model. A Traffic Forecasting Report (TFR) has been submitted for the FBC which is based on variable demand modelling as requested and agreed by DfT. The TFR sets out how the future year matrices were developed, including application of NTEM (TEMPro forecasts 7.2) , Road Traffic Forecasts 2015 (for freight) and key developments. The forecast years for which model forecast developed for FBC include the opening year (2022), design year (2037) and 2042. The forecast assignments which had been undertaken using fixed demand for the OBC have been undertaken using Variable Demand Modelling (VDM) for the FBC submission. The approach to VDM has been agreed with Department for Transport (DfT).
E8	Have all other modelling assumptions been made clear?	Requirements Fully Met	All assumptions are documented in the LMVR and Traffic Forecasting Reports, which are appended to the business case.
E10	Are TUBA outputs robust?	Requirements Fully Met	The TUBA outputs have been submitted and reviewed.
E11	Have all relevant options been modelled / appraised?	Requirements Substantially Met	A total of 20 options are identified in the business case (including the preferred option). As part of an initial sifting process each of the options have been considered in high level terms against the scheme objectives and against a feasibility/deliverability assessment. Following this process six options were taken forward to a secondary sift which assessed each option against the Supporting Economic Growth, Enhanced Access to Employment and Reducing Congestion. Based on further assessment of the option long list two options that were progressed for more detailed assessment as part of the Outline Business Case (OBC) included Dual carriageway PWD; and Single carriageway PWD. During the OBC the scheme promoter concluded that the dual carriageway PWD offers a stronger fit with primary and supporting objectives and has a higher Value for Money than the lower cost single carriageway alternative. Therefore, the dual carriageway PWD has been progressed to the FBC stage. A summary of the process is included in the Strategic Case with further information provided in a supporting Options Appraisal report. The economic appraisal in the FBC was limited to the Core (dual carriageway) option.
E12	Have appropriate sensitivity tests been undertaken?	Requirements Fully Met	A series of sensitivity tests have been undertaken which include: •Low and High Growth; • Core+ Scenario - Inclusion of Cuerden development trips; • Unforeseen Impacts. The sensitivity tests have been limited to TUBA analysis only. All other assessment results were assumed to be consistent between the Core and the sensitivity test scenarios. The reported Adjusted BCRs for these tests showed a range of 2.1 to 3.02.
E13	Has a completed AST been provided (with supporting worksheets where relevant)?	Requirements Fully Met	A full AST table is appended to the FBC and summarised within the Economic Case. Impacts have been assessed on a 7 point scale with a supporting qualitative statement - impacts are monetised where information is available from the appraisal. The scheme results in the following impacts: -Majority of the benefits generated by the scheme are associated with travel time savings for business and non-business road users. -Improvement in Safety, Noise and Air Quality also provide a relatively modest contribution to the total monetised benefits of the scheme. -Disbenefits are reported from greenhouse gases emissions and increase in vehicle operating costs. -There will be a relatively modest increase in indirect tax revenue. The non-monetised impacts of the scheme have also been reported and the scheme is expected to have the following impacts: Beneficial for Journey Quality; Physical Activity; and Severance. Neutral : for Townscape; Adverse for Biodiversity; Landscape: Water and Historic Environments;

Ref	Item	Status	Comments
E14	Are forecast housing, jobs and GVA impacts provided robust / realistic?	Requirements Fully Met	GVA is defined as Transport-induced changes in jobs, multiplied by GVA per job, adjusted for changes in productivity (agglomeration and labour), plus savings in direct transport costs. The impact of the scheme in delivering the identified local economic objective has been measured by: • The amount of housing unlocked: 5,320 dwellings at NWP supported, of which 3,575 could not occur without the scheme. • The associated impact on the local economy. The change in GVA is based on the assumption that each new home will indirectly support 0.15 new jobs in the local economy. This results in 536 jobs overall. Each job is assumed to be present in the economy of 10 years, i.e. the GVA benefit for each job is accrued for 10 years. The estimated number of new jobs in each year has then been multiplied by a typical 'GVA per job' value for the local area. This GVA value was adjusted to reflect the likely lower wage profile of jobs created by the North West Preston development. The GVA value used for 2026 (first year of assumed job creation) was £34,505 in 2010 prices. GVA growth of 1.5% per year in real terms was assumed. Adjustments were made to account for the displacement, leakage, deadweight and multiplier effects. At a local level 0% displacement was assumed. This resulted in a total GVA benefit of £108m (in 2010 prices, discounted to 2010).
E15	Has dependent development been accounted for?	Requirements Fully Met	The PWD scheme is expected to unlock the North West Preston strategic housing location (more than 5,000 dwellings) and provide direct links into Cottam development areas and Cottam Parkway Rail Station. WebTAG categorises new development that is dependent on the provision of a transport scheme as Dependent Development. In the case of the PWD scheme, dependency refers to land use development that cannot be realised without the introduction of the PWD. Given that the dependent development is conditional to the provision of the scheme and to ensure a correct comparison between With and Without Scheme scenarios, WebTAG suggests that the dependent development should not be included into the Core demand matrices. Instead, a separate assessment has been made to estimate the benefits of the PWD that are attributed to unlocking housing development. The outcome of the dependency test showed that the North West Preston development, with the exception of Haydock Grange site, is dependent on the PWD. Assessment of the dependent development benefits of the PWD scheme reported the following monetised impact for the elements forming this test: Planning Gain (Land Value Uplift) £188.6m Loss of Amenity Value -£7.4m Transport External Cost (impact of new congestion on existing road users) -£126.5m Total Dependent Development Benefits £54.7m
E16	Have all (relevant) Environmental & Social Impacts been adequately assessed?	Requirements Fully Met	The environmental impacts considered and assessed for PWD include monetised impacts (Noise, Air Quality and Greenhouse gases) and non-monetised impacts (Landscape, Townscape, Historic Environment, Biodiversity and Water Environment). The social impacts are not normally monetised and have therefore been assessed and reported using quantitative and qualitative information. They include Physical Activity, Journey Quality, and Severance. The monetised values of the environmental impacts over a 60 year assessment period include: Nosie: £6.2m Air Quality: £0.6m Greenhouse gases: -£17.6m A summary of the impact of the non-monetised impacts is shown above under E13.
E17	Have Distributional Impacts been assessed in a robust manner?	Requirements Fully Met	The assessment of Distributional Impacts (DIs) is to establish the impacts of transport interventions on different groups of people, including those potentially more vulnerable to the effects of transport. Consideration of the DIs of transport schemes in accordance with WebTAG Unit A4.2 requires eight DI including: Noise, Air Quality, Accessibility, Security, Severance, User Benefits (journey times and vehicle operating costs), Affordability and Accidents. The PWD Scheme is forecast to have an impact on the following DI indicators: User Benefits, Affordability, Accidents, Noise and Air Quality. -DI assessment for different income groups showed that all income quintiles will receive a positive impact for the User Benefits, although some income groups will experience more significant benefits than the others. -For Air Quality NO2, income group 1 receives a moderate adverse score and income group 3 receives slight adverse benefits from the scheme. Income groups 2 and 5 will receive a large beneficial impact and income group 4 will receive a moderate benefit. For Air Quality PM10 all income groups receive a positive impact. -All income groups will receive a negative impact regarding personal affordability. -All income quintiles except income quintile 1, which receives a large adverse score will benefit from a decrease in noise levels with the scheme in place. DI assessment for vulnerable groups showed that children, older people, pedestrians and cyclists will overall be positively affected by the scheme.

A.4. Financial Case

INDEPENDENT REVIEW

ATKINS

Project Title:	**Preston Western Distributor**		
Permission Sought:	**Full Approval**	**Date of Review:**	**07/05/2019**
FINANCIAL CASE			

Overall Score	**2**	**1**	**Requirements fully met** - No issues of note with the submission.
Atkins Comments:	The Financial Case sets out the scheme cost at £185.295m (including inflation and risk but excluding sunk costs). A spend profile has been included which sets out year on year costs and breakdown by type of cost, but does not specify the parties on whom they fall, although it is acknowledged that the Local Growth Fund and Highways England funding can only be used to cover construction costs. The key financial risks have been identified and a Monte Carlo Risk Assessment has been carried out and the median probability risk cost has been applied to the base costs in the line with the findings of the analysis. However, the risk register appears to contain risks for both the PWD and the EWLR and may therefore overestimate the overall risks for the PDW scheme. Funding sources are stated as follows: - Local Growth Fund - £58m; - Highways England Pinch-point scheme - £25m; and - City Deal - £102.295m (includes funding for the EWLR, sunk costs, inflation and risk). Total funding is therefore secured for £185.295m. LCC has agreed to underwrite the impact of any timing difference in relation to receipt of funding for schemes delivered within the City Deal framework. Confirmation is provided via letter from Section 151 officer that any scheme cost increase will be covered by LCC. However, the funding contribution stated in the letter does not equate to the figures quoted in the FBC - an updated version of the letter is to be provided. Confirmation has been provided as to the long-term financial sustainability of the scheme and affordability including any ongoing costs for operation, maintenance and major capital renewals. The scheme costs quoted in the Financial Case relate to the current cost estimates for the scheme and are not the final contractor Target Costs. The business case should therefore be updated once the final target costs are known.	**2**	**Requirements substantially met** - Minor issues exist with the submission.
		3	**Requirements partially met** - Medium issues exist with the submission.
		4	**Requirements not met** - Critical issues exist with the submission.

Ref	Item	Status	Comments
F1	Is the expected whole life cost of the scheme robust, including the base cost and risk allowance in outturn prices drawn from industry forecasts?	Requirements Substantially Met	In developing the scheme, the client engaged in Early Contractor Involvement (ECI) with Costain to provide additional confidence in the scheme design and cost. An independent verification report was commissioned in January 2017 and in December 2017, the reports (Appendix K) recognised that there were differences in sectional totals, and raised some concerns that costs did not seem to match the design drawings provided and that there was some information missing, but on a general note the estimate appeared to be robust - the difference in total cost was £1.5m which represented 1.17% of the schemes cost estimate at the time. The verification reports helped refine the cost and adjust the methodology for inflation calculation. A final cost verification exercise will be commissioned prior to contract award to provide DfT, the City Deal and LCC with confidence in the submitted Target Cost. The current cost estimate is based on finalised highway design and structures detailed drawings, informed by a ground investigation and detailed consultation with interfacing third parties, C3 Estimates received from statutory authorities, future preparation, admin and supervision costs developed by LCC, land acquisition and compensation costs estimated in February 2019 and the QRA dated March 2019. The construction cost is estimated to be £137.074m (exclusive of risk and inflation) and a high level cost breakdown is provided in Appendix L. Median pre-mitigated risk value has been included at £15.596m. Total scheme cost is £185.3m, including risk and inflation but excluding sunk costs. The costs used in the current version of the FBC are not the final target costs for the scheme and the Business Case should be updated when the final costs are made available.
F2	Has a cost profile been provided showing year on year costs, and breakdown by cost type and parties on whom they fall?	Requirements Substantially Met	A spend profile (excluding Part 1 claims) has been provided in the Financial Case in the form of bar charts showing preparation, supervision, construction and lands cost, and a more detailed breakdown of outline expenditure by year is provided in Appendix P. No information is provided to indicate on what element of the scheme delivery each of the funding partners contributes to and when. However, it is acknowledged that the LGF and HE RIS funding is only available to cover cost of construction.
F3	Have details of key financial risks been provided and is the risk cost allowance robust?	Requirements Substantially Met	A QRA for the PWD has been undertaken in order to determine the amount of risk to be applied to the base costs. It is based on industry knowledge and experience from other schemes which have been constructed. The latest version of the Risk Register updated on 01 March 2019 (Appendix M) identifies 306 risks attributed to client or contractor, these have been assessed and where possible addressed introducing mitigation measures leaving 130 currently active and quantified. However, the register appears to be for the PWD and the East West Link Road (EWLR) and as a consequence the risks may be overstated due to the inclusion of the EWLR in the register. Following mitigation, 15 risks remain with a high value and these are set out in Appendix N. The risks have also been subject to a Monte Carlo Risk Analysis and the summary is provided in Appendix O. The analysis provides a normal bell curve output with levels of probability for the pre-mitigated risk value of £15.596m, which has been taken forward to the scheme cost estimate.
F4	Are funding sources to cover the full scheme cost clearly set out?	Requirements Substantially Met	Funding sources are stated as follows: - Local Growth Fund - £58m (this is dependent on the scheme having a strong business case and high value for money); - Highways England Pinch-point scheme - £25m (a letter confirming this contribution is provided in Appendix Q); - City Deal - £102.295m (includes funding for the EWLR, sunk costs, inflation and risk), this is evidenced in the resolution in paragraph 13 of the minutes of the meeting of the City Deal Executive on 05 February 2019 (Appendix R). Total funding is therefore secured for £185.295m. LCC has agreed to underwrite the impact of any timing difference in relation to receipt of funding for schemes delivered within the City Deal framework. Confirmation is provided via letter from Section 151 officer, included in Appendix S that any scheme cost increase will be covered by LCC. However, the funding contribution stated in the letter does not equate to the figures quoted in the FBC - an updated version of the letter is to be provided.
F5	Is there sufficient evidence to support third party / alternative funding contributions?	Requirements Fully Met	A letter confirming the Highways England RIS allocation for M55 Junction 2 contribution is provided in Appendix Q. The City Deal funding was agreed in Autumn 2013 and is evidenced in the resolution in paragraph 13 of the minutes of the meeting of the City Deal Executive on 05 February 2019 (Appendix R). The Growth Deal Funding is subject to having a good business case and high value for money. No further funding has been identified.
F6	Have the impacts of third party / alternative funding not coming forward been considered?	Requirements Fully Met	The release of City Deal Funds does not require receipt of confirmed funding from developers in advance of major road infrastructure provision. LCC has agreed to underwrite the impact of any timing differences in relation to receipt of funding for schemes delivered within the City Deal framework. In addition, LCC confirms that any scheme cost increase will be covered by LCC and this has been underwritten by the Section 151 officer (Appendix S).

Ref	Item	Status	Comments
F7	Has the long-term financial sustainability of the scheme been demonstrated, including robust plans to ensure the affordability of any ongoing costs for operation, maintenance and major capital renewals?	Requirements Fully Met	LCC will be responsible for paying any Part 1 Claim compensation costs made as a result of the PWD. The compensations costs (Part 1 Claims) can only be claimed from one year after the opening of the road to traffic and claims have to be made within the 6 years following the first claim day. The highway authorities will be responsible for the ongoing maintenance of the completed works, LCC in respect to the PWD and Highways England with respect to the M55 Junction 2 and slip roads. Letters confirming the commitment to this funding are provided as Appendix T.
F8	Has evidence of appropriate S151 Officer sign-off been provided?	Requirements Substantially Met	A letter from the Section 151 Officer is included within Appendix S. However, as stated in F4 above this is to be reissued with details of the actual local contribution to the scheme costs.

A.5. Commercial Case

INDEPENDENT REVIEW

ATKINS

Project Title:	**Preston Western Distributor**		
Permission Sought:	**Full Approval**	**Date of Review:**	**07/05/2019**
COMMERCIAL CASE			

Overall Score	1	1	**Requirements fully met** - No issues of note with the submission.
Atkins Comments:	The Commercial Case sets out the chosen procurement strategy and lists the benefits of using this approach along with bodies that widely recognised this as the delivery mechanism for major civil engineering works. It is unclear exactly how the contract is set up, although the appointment is on a 3-phase basis and structured so that it can be terminated without penalty be either party between phases if value for money is not obtained at all times. Payment mechanisms for Phase 2 and 3 are referenced, including details on who is responsible for assessing the amount due at specified dates and when certification of payment is required. Project Procurement Milestones are set out, both achieved and forecast. Costain will continue as contractor for Phase 3, subject to satisfactory agreement to the target cost. A risk workshop has been held and informed a risk register that is a live document with joint ownership, which should lead to cost efficiencies. Contract management details are limited, but it is anticipated that the construction contract length will be 41 months predicated on an Autumn 2019 commencement of works. The CPO Inquiry decision affords the opportunity of accessing the land early to potentially undertake the ecology and environmental mitigation works. This will require early serving of the GVD and resource is in place to enable this opportunity to be realised and significantly reduce the risk of contract length extension. The procurement strategy is supported by a letter from the Section 151 Officer, which although it states that the strategy is well established and will protect the authority from unnecessary risk and challenge, while looking to secure value for money through MEAT evaluation criteria, does not specifically reference the contract and early termination arrangements.	2	**Requirements substantially met** - Minor issues exist with the submission.
		3	**Requirements partially met** - Medium issues exist with the submission.
		4	**Requirements not met** - Critical issues exist with the submission.

Ref	Item	Status	Comments
C1	Has a robust procurement strategy been clearly set out?	Requirements Fully Met	LCC chose to procure using Early Contractor Involvement (ECI) to provide construction intelligence to support the scheme development process and for the construction of the works. This approach was signed off by LCC Cabinet Member for Highways and Transport in November 2015. An OJEU compliant procurement exercise was undertaken to select the contractor to be involved in the scheme - details of the process are provided in report to the Cabinet Member included as Appendix U. The appointment is on a 3 phase basis and the contract is structured so that it can be terminated without penalty by either party between phases should the arrangement be deemed not to be delivering the benefits of ECI and to ensure value for money is obtained at all times. The Commercial Case outlines that this is referred to in the S151 Officer Letter in Appendix S - which sets out that LCC has a well established procurement strategy that aims to protect the authority from unnecessary risk and challenge, while looking to secure value for money using the MEAT evaluation criteria. It does not reference any contract arrangements with the contractor.
C2	Has consideration of different procurement options been demonstrated, including justification for selection of the preferred option?	Requirements Substantially Met	The Commercial Case sets out the industry recognised benefits of using the ECI approach as opposed to the "traditional method" of detailed design, tender and construction in bullet point format, and how it is recognised widely by many public and private sector bodies as the delivery mechanism for major civil engineering projects.
C3	Have the proposed payment mechanisms / pricing framework been identified?	Requirements Fully Met	Phase 1 and 2 will utilise the NEC3 Professional Services Contract and Phase 3 will be undertaken under the Engineering Construction Contract (ECC). The Commercial Case states that this contract allows the contractor to act more in a consultant role to provide professional expertise on a payment process directly related to the resources utilised. For Phase 3 it sets out the 6 main payment options within the ECC and states that at the outset of the delivery process and particularly the ECI engagement it was proposed that the NEC Option C procurement approach would be used for PWD construction contract - target cost contract with an activity schedule where the out-turn financial risks are shared between client and contractor in an agreed proportion. The payment principles are well defined within the contract (Core Clause 5 Payment). The Project Manager is responsible for assessing the amount due to the contract at the Assessment Date, as defined in the contract at calendar month intervals and is required to certify the payment within one week of the Assessment Date.
C4	Have the procurement timescales been set out, and are they realistic?	Requirements Substantially Met	On the basis of the success to date of the ECI and the approach to NEC Option C, the City Deal Executive confirmed on the 15th November 2018 that the contract process should continue into Phase 3 with Costain, subject to satisfactory agreement to the target cost. The Commercial Case sets out the procurement programme milestones to commencement of works, both achieved and forecast. Programme dates, which align with these milestones, are also presented in the Management Case. The programme appears to be realistic and reflects the current timescales for submitting the FBC to TfL and the LEP for approval. However, the programme does not provide details as to when the final Target Cost will be made available by the contractor.
C5	Have details of the proposed risk transfer / allocation been provided?	Requirements Fully Met	Risks and associated cost estimates are included in the Risk Register (Appendix M). The risk register was initially drafted following a risk workshop and the Commercial Case sets out that this is a live document that will be updated and adjustments to risks, costs and responsibilities amended as the detail design progresses. The register is in joint ownership under the ECI, and the management of risk is assessed and controlled from both perspectives helping to drive down the risk and associated cost.
C6	Have details of contract management been provided, including contract timescales?	Requirements Fully Met	The contract management arrangements will be administered by an ECC Project Manager and Supervisor and a support team applicable to the stage of works during the implementation stage. The Commercial Case refers to roles for the project being set out within the Project Governance section of the Management Case. It is anticipated that the construction contract length will be 41 months predicated on an Autumn 2019 commencement of works. The CPO Inquiry decision affords the opportunity of accessing the land early to potentially undertake the ecology and environmental mitigation works. This will require early serving of the GVD and resource is in place to enable this opportunity to be realised and significantly reduce the risk of contract length extension.
C7	Has evidence of relevant approval been provided from Head of Procurement?	Requirements Fully Met	A letter from the Section 151 Officer is included within Appendix S.

A.6. Management Case

INDEPENDENT REVIEW

Project Title:	Preston Western Distributor		
Permission Sought:	Full Approval	**Date of Review:**	07/05/2019
MANAGEMENT CASE			

Overall Score	2	1	**Requirements fully met** - No issues of note with the submission.
Atkins Comments:	The Management Case sets out the governance structure and project delivery team and the key reporting lines for the programme management and delivery of the scheme. The project programme within the management and commercial cases is consistent. Planning permission has been granted, and details of the CPO and SRO required for the completion of the scheme are confirmed through the decision letter from the Secretary of State for Transport. Details of the reporting, approvals and assurance process are clearly set out. Evidence on scheme delivery has been supplied, although there is no information on how lessons learned have been applied to the delivery of this scheme. There is limited information on the risk management strategy, although a quantified risk register is included that provides details of the risks, owners and mitigation measures. The communications strategy for the PWD is still currently being prepared and should have been provided ahead of Full Business Case. A logic map is included as part of the M&E Plan. This sets out the causal pathway of the scheme from the context - input - output - outcome through to the impact of the scheme. This scheme was selected by the DfT for Fuller Evaluation, and as such the Plan has been prepared in accordance with the DfT Fuller Evaluation guidelines. In addition, a number of LEP metric monitoring requirements are included, as set out by the LEP M&E Framework. All post opening reporting has been aligned to the DfT Year One & Year Five reporting timelines. The Plan sets out the data requirements and the associated timeframes to monitor the scheme objectives and associated scheme outcomes/ impacts. This includes indicative costs of undertaking the associated M&E. The M&E Plan refers to the current planned scheme opening of Autumn 2022, which is inconsistent to the main FBC document (March 2023, as summarised in Table 6-A). From a LEP perspective, the requirements are set out in the M&E Plan Appendix D LEP Economic Output Table. It would be useful to include the forecast figures for each of these metrics.	2	**Requirements substantially met** - Minor issues exist with the submission.
		3	**Requirements partially met** - Medium issues exist with the submission.
		4	**Requirements not met** - Critical issues exist with the submission.

Ref	Item	Status	Comments
M1	Has the proposed governance / organisational structure been provided? Does it provide a robust means of overseeing project delivery with appropriate skills / experience?	Requirements Fully Met	The management of the delivery of the PWD scheme is fully encompassed within the overall accountabilities of the LEP in its governance responsibilities of the Preston, South Ribble and Lancashire City Deal. Appendix W illustrates the City Deal governance structure and provides details on the composition and function of the teams and boards, terms of reference and the distribution of responsibility. In addition, the terms of reference for the City Deal Strategic and Operational Governance Framework are provided in Appendix X. Underlying this higher level structure is the Delivery Team, whose direct connection to the City Deal governance structure is via the Project Manager who reports to the City Deal Project Board. A diagram of the Delivery Team and its operational links are provided in Appendix V. The Delivery Team Project Manager is the current Project Manager of the City Deal Delivery Team, which accords with the NEC Guidance. The Project Manager has over 35 years of highway design and construction experience in all forms of contract including NEC contracts. Further to this two Supervisors have been appointed a highway specialist and a structures specialist both from the City Deal Delivery Team who will be bringing a depth of design and contractual supervision experience to the roles.
M2	Does the project programme demonstrate realistic delivery timescales? Does it provide an appropriate level of detail? Have critical path items and dependencies been clearly identified?	Requirements Substantially Met	The delivery programme for the scheme is owned by the Project Manager and is provided in Appendix Y, and key milestones are set out in Table 7-B showing the forecast quarter and year for each milestone and the current position. Changes to the project programme that could impact upon key milestones within the development and delivery of the scheme are communicated to the Project Board. Programme details are also presented in the Commercial Case which are consistent with the dates provided. The programme shows the contract letting call in period, mobilisation and main works as critical path items, although no additional information is provided in the way of critical path dependencies.
M3	Have required statutory powers and consents been obtained? Are there any conditions to the powers, consents or funding and do they pose any additional risks? Is a plan in place to demonstrate how these conditions will be met?	Requirements Fully Met	The statutory powers and consents have all been obtained. TfL requires promoters to provide an absolute minimum 10% contribution towards total scheme construction cost and 100% of any increase in cost once TfL has granted a scheme Provisional Approval. The ability to fund the local contribution and any subsequent costs increases post the granting of remaining funding approval has been agreed in the Section 151 Officer letter provided in Appendix S. The release of City Deal Funds does not require receipt of confirmed funding from developers in advance of major road infrastructure provision. LCC has agreed to underwrite the impact of any timing difference in relation to receipt of funding for schemes delivered within the City Deal framework. The LEP will only approve schemes demonstrating high value for money, with a BCR greater than 2. The Director for Financial Resources will sign off all value for money assessments as true and accurate - and to avoid potential conflict of interest will not have any involvement in scheme development or promotion. The PWD is a DfT retained scheme and requires Ministerial approval, the LEP does not need to formally approve the business case information before submission to DfT, however, prior to signing of funding approval DfT will wish to ensure that the LEP is content with the basis on which the approval is proposed.
M4	Have details of the reporting, assurance and approval process been provided (including gateways in scheme development / delivery)?	Requirements Fully Met	As per the TfL Assurance Framework, LCC will submit a quarterly monitoring report setting out progress on scheme preparation and delivery, which will include a regularly updated QRA. TfL has established a consultant panel with a minimum of two independent specialist consultants to undertake business case scrutiny, reporting to the officer with overall responsibility for business case scrutiny. The LEP Board Director for Strategic Transport will have an advisory role in supporting scheme assessment and approval arrangements. The TfL three stage approval process is set out - programme entry; conditional approval; and full approval. The guidance setting out expectations of DfT in relation to retained schemes is set out including the requirements for signing off funding approval. Monthly update reports are being provided by the PWD Project Manager to the City Deal Infrastructure Steering Group (now the PWD Project Board in the evolved governance structure, and will continue through the delivery of the scheme and cover additional items including adherence to programme and budget, issues and decisions made within the tolerances granted and expectations.
M5	Has evidence of scheme delivery been provided, to demonstrate that the delivery body has the capability and means to successfully implement the scheme?	Requirements Substantially Met	LCC has a strong track record of project delivery and evidence of four major transport schemes recently delivered is provided, including Heysham to M6 Link Road a scheme similar in length and design standard to PWD, Broughton Bypass the first of the four schemes delivered through the City Deal Infrastructure Delivery Programme that largely follows the same project delivery governance structure as PWD. The Management Case states that the lessons learnt from delivery of these four projects both external and within the City Deal Team have been shared across the team to ensure widespread learning for other projects particularly the PWD. No details have been provided though to demonstrate how they have been applied to this project.

Ref	Item	Status	Comments
M6	Has a Risk Management Strategy been provided, setting out how risks have been identified, their likely impact, appropriate mitigation, and how the risks will be managed (and by whom)?	Requirements Partially Met	Risks associated with delivery of the LEP investment programme are managed according to the overall monitoring responsibilities set out in the LEP's Accountability Framework. This requires risk registers to be produced and maintained for individual schemes once approved. The Steering Group has overall responsibility for governance and risk associated with the delivery of the PWD scheme. It is responsible for managing and overseeing the risk management strategy and where appropriate agreeing and undertaking actions to mitigate key risks. No detailed information of the risk management strategy is included, only that the Programme Manager is responsible for maintaining and updating the Risk Register and planning for mitigating any risks which do not require escalation. The City Deal programme governance structure clearly defines and sets out the arrangements for decision making and approvals including the responsibilities regarding risk on the PWD.
M7	Does the Risk Register cover all foreseeable risks with no obvious omissions? Are suitable mitigation measures proposed? Is the Risk Register updated on a regular basis?	Requirements Substantially Met	A QRA for the PWD has been undertaken by LCC and Costain in order to determine the amount of risk to be applied to the base costs. The Risk Register is owned by the Project Manager and is a live document that gets updated regularly. It is based on industry knowledge and experience from other schemes which have been constructed. The latest version of the Risk Register updated on 01 March 2019 is included in Appendix M. It identifies 306 risks attributed to client or contractor. The risks have been assessed and where possible addressed by mitigation measures leaving 130 currently active and quantified. The risk register also appears to include risks associated with the EWLR and as a consequence may overestimate the quantified risks. It includes all types of risk that could affect the costs of the scheme such as planning delay, political decisions, land acquisition issues, legislative delays etc.
M8	Is an appropriate time-based plan in place for proactive communications and media enquiries?	Requirements Partially Met	TfL will publish the PWD major scheme business case on its website, as will LCC alongside publicising it through regular communication channels. The FBC and supporting documentation will be made available for inspection and independent assurance by TfL's independent Assurance Team. The communications strategy for the project is framed within the wider communications strategy for the City Deal. The City Deal Communications and Marketing Strategy is not included but the proposed overarching approach and activities have been identified by communications staff from LCC, PCC, SRBC and the HCA. They are intended to establish foundations for successful communication of the implementation phase and have been directly influenced the schedule of work outlined in the IDP (including PWD). The activities are reviewed annually throughout the City Deal lifetime. The LCC communications team in association with the partner's communication officers and the contractor is developing the communication strategy to construction and throughout the construction period. The FBC does not therefore include a detailed communications plan for taking the scheme forward.
M9	Is there a clear intervention logic for how the outcomes will be achieved? (e.g. logic map)	Requirements Fully Met	A logic map is included as part of the M&E Plan. This sets out the causal pathway of the scheme from the context - input - output - outcome through to the impact of the scheme. It is noted that within the logic map, the scheme impacts of 'increase in CO2 emissions' and 'benefits from AQ improvements' appear to contradict each other.
M10	Has a Monitoring & Evaluation Plan been provided that identifies proposed data / performance indicators to monitor against the scheme objectives?	Requirements Substantially Met	A M&E Plan has been prepared and is included in Appendix Z. This scheme was selected by the DfT for Fuller Evaluation, and as such the Plan has been prepared in accordance with the DfT Fuller Evaluation guidelines. In addition, a number of LEP metric monitoring requirements are included, as set out by the LEP M&E Framework. All post opening reporting has been aligned to the DfT Year One & Year Five reporting timelines. The Plan sets out the data requirements and the associated timeframes to monitor the scheme objectives and associated scheme outcomes/ impacts. This includes indicative costs of undertaking the associated M&E. The M&E Plan refers to the current planned scheme opening of Autumn 2022, which is inconsistent to the main FBC document (March 2023, as summarised in Table 6-A). This will impact on the envisaged dates for the Year 1 & 5 Post Opening Reports. The assumption that the PWD will not directly unlock any employment development is noted. For this reason, no monitoring of the LEP metrics/ outcomes 'Jobs connected to the intervention' and 'Commercial floor space constructed' is proposed. It is noted that the forecast metric data is not currently included within the Plan's appendices.
M11	Are there clear proposals to undertake evaluation of the overall effectiveness of the scheme?	Requirements Substantially Met	The M&E Plan sets out how the effectiveness of the scheme will be evaluated, adhering to both DfT and LEP requirements. This includes a methodology which sets out 8 research questions, and an approach to answering these questions, which should ultimately lead to an understanding of what was delivered, and how was it delivered - including any lessons learned. It will then focus on has the scheme delivered as intended/ satisfied the scheme objectives. From a LEP perspective, the requirements are set out in the M&E Plan Appendix D LEP Economic Output Table. It would be useful to include the forecast figures for each of these metrics.

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