

Programme Management Group

16 July 2020

Business Case for approval – Blackwater Valley Gold Grid - Hampshire - Item 6a

Programme Management Group members are asked to:

AGREE that the LEP agrees a funding agreement with Hampshire County Council to deliver the Blackwater Valley Gold Grid, Hampshire and provisionally allocate £1,280,000 for this project, in the form of a grant, subject to sufficient additional funding being available.

1 Background

- 1.1 The LEP has established a process whereby promoters of schemes that have been provisionally allocated Local Growth Fund (LGF) should submit completed full business cases to the PMG for further consideration. For schemes seeking less than £3m LGF, PMG has delegated authority to approve the allocation of this funding directly to projects.
- 1.2 In November 2018 the Board approved £4.5m capital grant allocation in principle for the Blackwater Valley Gold Grid – Public Transport Corridor – Strategic Case and the full business case for the elements of the scheme to be delivered by Surrey County Council. They also agreed that the detailed business case for the Hampshire parts of the scheme would be submitted to PMG to consider once the project detail was available.
- 1.3 We have now received the full Business Case from Hampshire County Council for their elements of the scheme, seeking £1,280,000 Local Growth Funding. The match funding in this instance consists of £4.5m investment by Stagecoach in new vehicles on the Gold Route 1 in 2016. It was agreed when the Strategic Case was considered that this approach to match funding was an acceptable approach.
- 1.4 In line with the PMG's Terms of Reference, the full Business Case has been subject to independent scrutiny carried out by AECOM and reviewed by LEP Officers.

2 Blackwater Valley Gold Grid Hampshire elements – Proposal

- 2.1 The scheme aims to improve bus journey time reliability and passenger perception by addressing the pinch points along the Stagecoach Gold Route 1 between Frimley and North Camp that cause delays to the bus service. The funding will be used to deliver a package of the following sustainable transport improvement measures:
 - Removal of the eastbound lane along Victoria Road to adjust lane usage and maximise capacity
 - Carriageway widening on the southbound approach to Pinehurst Roundabout to relocate the bus lane to the to the nearside lane of traffic
 - Construction of a bus lane on the Alexandra Road approach to the St Albans Roundabout
 - Update the communication link between the bus operators Real Time Information, bus Geo-location and Urban Traffic Management Control
 - Bus stop improvements with implemented Real Time Passenger Information
- 2.2 The project is part of a wider package of LEP funded improvements delivered to meet the aspiration of enhancing linkages within and between Farnborough, Aldershot and Camberley to support and enhance socio-economic activity between the towns. In particular it will:

- Improve access to growth at a development site that has the potential to create housing and jobs
 - Improve access to employment centres
 - Improve traffic flow to reduce delays for buses
 - Promote sustainable modes of transport
 - Facilitate economic agglomeration
- 2.3 The nature of scheme is such that is primarily an enabler to facilitate growth and new developments as well as support existing developments. In terms of measurable outputs the scheme will deliver the following benefits:
- **Jobs:** It is estimated that 93 direct and 16 construction jobs will be created and 134 indirect jobs that will be supported by improved public transport accessibility
 - **Employment Floorspace:** The amount of floorspace indirectly supported by the scheme is expected to be 5,660sqm.
 - **GVA:** It is estimated that the GVA impacts from direct jobs is £2.4m, £204,000 from construction jobs and from indirect jobs is £3.4m.
- 2.4 This proposal meets the objectives of the Strategic Economic Plan and emerging Local Industrial Strategy. By supporting public transport, it is also broadly aligned with the Future Mobility Strategy and Decarbonisation of Transport, recently launched by central Government. In particular, there is a decent fit with the LEP objectives around Clean Growth and Smart Mobility.
- 2.5 The full Business Case is available to PMG Members on request.

3 Blackwater Valley Gold Grid Hampshire elements – Scrutiny and Review

- 3.1 AECOM reviewed the business case and raised comments and questions with the scheme promoter who responded to these, both in writing and through dialogue. Overall, they consider Hampshire County Council has put together a good and full business case. No critical issues have been identified, meaning that there are no significant gaps or shortfall in the information that fundamentally undermines the overall business case. There are however some issues that need strengthened in relation to cost estimates, but these can be addressed as the project progresses and by themselves are not considered to be an impediment to recommending the scheme for funding approval.
- 3.2 The areas where further evidence and information is required are outlined below together with the proposed course of action where appropriate:

Economic Benefits

- 3.3 AECOM have highlighted that the Economic Appraisal has not calculated a Benefit Cost Ratio (BCR) for the scheme but has quantified the economic benefits of the scheme resulting in a Present Value of Benefits (PVB) of £6m, showing a positive return of investment. Whilst high level evidence has been provided on journey time reliability, this has not been monetised and thus not been included in the PVB. Whilst it is noted that a BCR is not required, it was difficult for AECOM to determine the value for money of the scheme in the absence of a clear Present Value of Costs with optimism bias. Whilst it is important that the LEP is aware of this, given the size and nature of the scheme it is not considered that any further action needs to be taken.

Cost Estimates

- 3.4 AECOM considered that the costs estimate of the scheme were reasonable for a scheme of this type however there remain some elements related to the Urban Traffic Management and Control (UTMC) aspect of the scheme that have not fully been substantiated. Namely the design fees for the UTMC which forms approximately 49% of the overall UTMC costs and the £100,000 allowance for the bus operator communications link. AECOM consider that the provision of an itemised cost breakdown, even if benchmarked, would strengthen the

justification of these costs. The cost estimate also includes an overall contingency of 42% on the construction cost. Whilst this is not uncommon for infrastructure schemes, it remains a sizeable portion of the funding request. AECOMs recommendation related to this is that Hampshire County Council be asked to substantiate these costs. This has been requested from Hampshire and the additional detail will be included as a schedule to the legal agreement for this project.

3.5 The full Scrutiny Report is available to PMG Members on request.

4 Covid-19

4.1 The LEPs ongoing response to the Covid-19 crisis and economic recovery includes consideration of all capital projects to ensure that they are still relevant and will deliver positive impacts. There remains considerable uncertainty about what lies ahead, however it is increasingly likely that a 'new normal' will emerge with trips being made in different ways and that this will have a particular resonance in the areas of transport and infrastructure and place.

4.2 At the time of submission of the business case in May 2020, Covid-19 was already having a significant impact. However, much of the work in producing the business case had been carried out in a pre-Covid environment and hence understandably not considered as part of the analytical work. Within the review AECOM assessed the impact and robustness of the scheme in post Covid-19 environment and importantly considered whether it would still deliver the benefits and outcomes expected. Additional queries were therefore raised by the review team to consider the impacts of this on the business case.

4.3 The Business Case anticipates that traffic and public demand levels in the long term will return to pre-COVID-19 levels. However in the short to medium term there is going to be a negative impact on the demand for public transport, as a result of public concerns about safety, Government messaging about not using public transport and the significant short term reduction in capacity. Therefore, the benefits of the scheme are likely to be delayed in the early years of the scheme due to this reduction in public transport demand. However, given the speed at which the impact of Covid-19 changes and the overall enduring message from Government in support of sustainable transport it is considered that the not deter the overall efficacy and positive impact of the scheme.

4.4 The LEP needs to focus on economic recovery and the messaging from Government remains that sustainable transport should remain a key element of this. Therefore, on balance it is consider that the scheme is still worthy of support. However, it must be recognised that the full extent of new infrastructure might not be needed and it would therefore be appropriate to ask Hampshire County Council to provide a range of delivery scenarios for a smaller project and/or later delivery of some elements. It will also be important to monitor bus patronage and demand for public transportation in the short and medium term where demand is most affected by Covid-19, review risks carefully and update the benefits forecast to address Covid-19 impacts but way of an optimistic and pessimistic Covid-19 sensitivity test. Whilst a high-level sensitivity analysis has been provided, further consideration of additional scenarios which include the impacts of Covid-19 would demonstrate the robustness of the benefits and costs of the scheme in the short and medium term.

4.5 Given the above it is suggested that the LEP works closely with Hampshire County Council to identify and agree the actions which are most essential to making the case for the scheme. Furthermore that we look to deliver the funding in stages to account for the risk of descopeing due to design changes and Covid-19.

4.6 In terms of the positive environmental impact of the proposal this is considered to be something that will remain of critical importance post Covid-19. There will be a need for a "climate-smart recovery" plan to recognise the benefits that had been achieved by reduced transport impacts, and the sustainable transport, will be of even greater importance going forward.

5 Funding

5.1 The total cost of the project is £5,780.000, with the proposed funding split is given below:

| £m | <2020-21 | 2020-21 | 2021-22 | Total |
|---|------------------|----------------|------------------|------------------|
| EM3 LEP Funding Sought | | 220,000 | 1,060,000 | 1,280,000 |
| Capital funding from other sources | 4,500,000 | | | 4,500,000 |
| Total | 4,500,000 | 210,000 | 1,050,000 | 5,780,000 |

- 5.2 The LEP grant represents 22% of the total cost of the scheme. The £4.5m contribution comes from investment by Stagecoach in new buses on the Gold 1 Route between Aldershot and Camberley. This investment was made in 2016 and therefore whilst it can be viewed as a sunk cost, it is important to note that when Stagecoach secured the investment through their internal processes the approval was predicated on the basis that there would be investment in infrastructure on the corridor from the public sector. Without the promise of this infrastructure investment it is likely that Stagecoach would have prioritised introduction of the new buses elsewhere in the Country. Furthermore, the new vehicles have been a key factor in achieving double digital growth in patronage on the corridor, helping in turn to justify an increase in frequency on the route and the introduction of a 24-hour service. Given this it is considered reasonable for Stagecoach's investment to be identified as legitimate match funding to this scheme.
- 5.3 Whilst this project was part of the Local Growth Fund 3 allocation, the business case has been submitted in the knowledge that there remains uncertainty about the availability of funds after 31 March 2021 and that cost of the pipeline of potential schemes is greater than the funding available.
- 5.4 The scheme is currently in the design stage and it is predicted that only approximately 20% of the funding, £210,000, can be spend this financial year with the remainder in 2021/22. The proposed programme envisages that the scheme can be delivered in full by the end of 2021. It is considered that this is robust, but that there is little opportunity to accelerate delivery significantly. The table below provides a detailed breakdown of some of the cost elements and key milestones of the scheme.

| Project Stage/ Key Milestone | Cost (£000s) | Indicative Date |
|---|--------------|-----------------|
| Scheme Design | 244 | January 2021 |
| Delivery of all AVL/UTMC Links | 160 | December 2021 |
| Delivery of works at Victoria Road | 21 | December 2021 |
| Delivery of works at Alexandra Road | 75 | December 2021 |
| Delivery of works at Kingsmead South approach to Pinehurst Roundabout | 303 | December 2021 |
| Delivery of Real Time Information to Bus Stops | 130 | June 2021 |
| Risk (contingencies) | 323 | |
| 2% Management Fee | 25 | July 2020 |
| Total | 1,281 | |

- 5.5 At the time of preparing this report, the team are engaged in work to prioritise projects for our remaining Local Growth Fund and the new Getting Building Fund. Given our current funding

situation. It is not possible to immediately make a funding commitment to this project, given that majority of expenditure is forecast in 2021/22. It is proposed that PMG approve this project in principle and for it to be taken forward should funding become available in the future. It is proposed that the September meeting of the Programme Management Group can act as 'review point' and a date by which we will be able to give any further certainty to Hampshire County Council on likely funding availability. Confirmation by this date should still mean that the delivery programme outlined in this paper remains achievable.

6 Conclusion and Recommendations

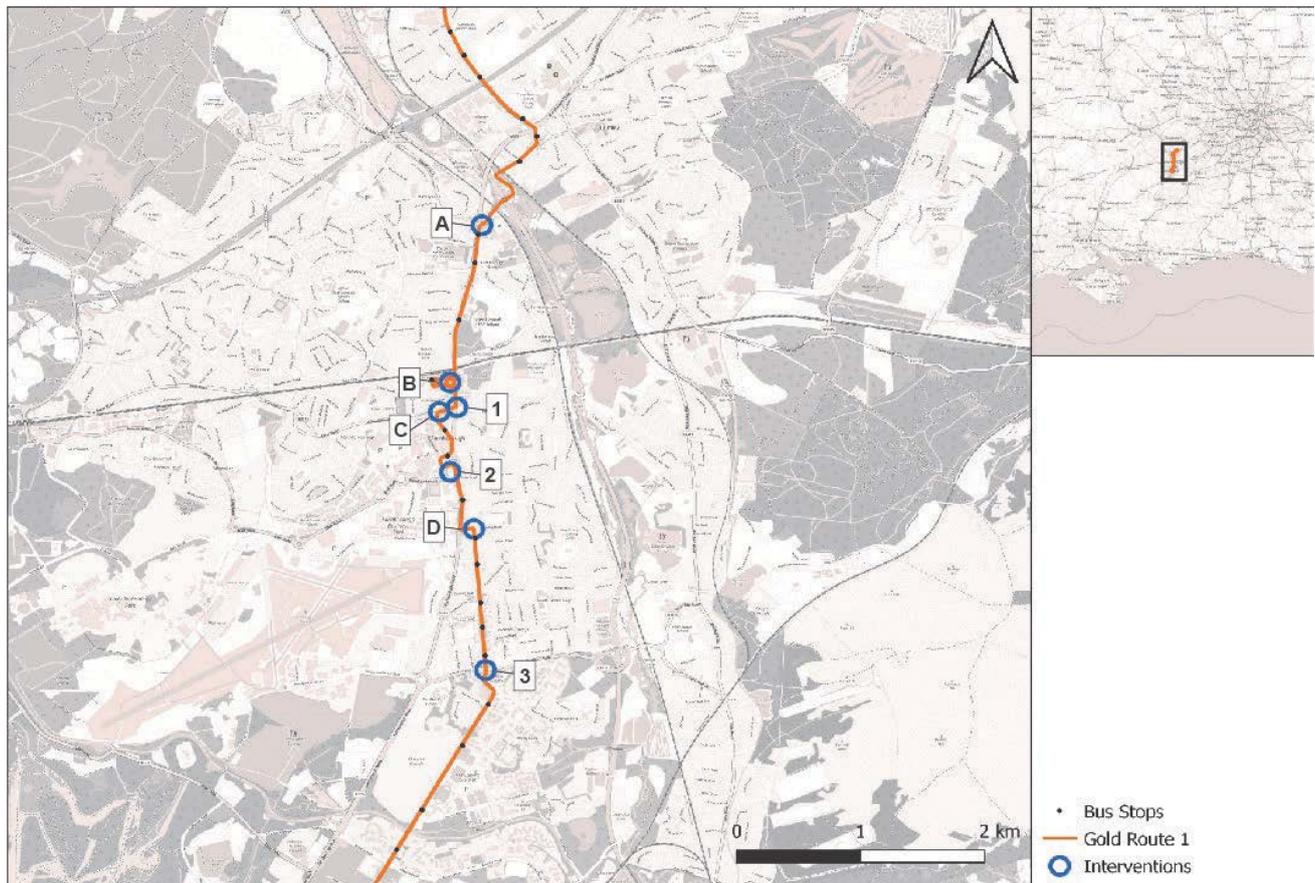
- 6.1 Overall the objectives of the scheme are sound and accord well with Government and LEP priorities contained in the emerging Local Industrial Strategy. It is also considered that the scheme is one that the LEP would wish to support as part of our Economic Recovery Plan post Covid-19, as it aligns well to sustainable transport, which is considered to continue to be important in the future. Nevertheless, it is the case that some of the benefits of the proposed scheme will be diminished in the short term and therefore whilst it is recommended that the scheme should be approved, there is a need to review some of the benefits and further sensitivity analysis and impact of the scheme.
- 6.2 As highlighted above the LEP currently has limited funding available to support both economic recovery and new schemes. Whilst the Blackwater Valley Gold Grid is well aligned with our priorities going forward, additional funding will need to come from either the existing programme or a new funding stream to enable the LEP to make sufficient funds available for this scheme to be delivered.
- 6.3 Therefore, Programme Management Group members are asked to **AGREE** to enter into a funding agreement with Hampshire County Council to deliver the Hampshire elements of the Blackwater Valley Gold Grid and allocate provisionally £1,260,000 for this project, in the form of a grant, subject to sufficient additional funding being available.

| Criteria | Assessment | Comments |
|----------------------|------------|--|
| Strategic Fit | Excellent | The scheme meets many of the priorities contained in the SEP and emerging Local Industrial Strategy in relation to clean growth and in particular meets priorities around supporting sustainable transport. It is also aligned to our Covid-19 Economic Recovery Plan |
| Low Carbon | Good | The focus of the scheme is all about improving accessibility and attractiveness of low carbon modes and encouraging a switch from the private car to bus. The scheme is also being designed to be delivered in a sustainable low carbon way, maximising the reuse of existing infrastructure where appropriate. |
| Digital | Excellent | The key digital aspects of the scheme are the provision of bus signal priority technology, which uses an innovative system that offers communication between the buses GPS and the Hampshire County Council UTMC to maximise priority in real time. The scheme also provides real time passenger information, to provide accurate information and improve passenger confidence and aid planning. |
| Impact of the Scheme | Good | The scheme will have a positive impact on encouraging the use of public transport by making journeys more attractive, pleasant and reliable. It will also help to speed up the passage of buses through congested parts of the road network |

| | | |
|-------------------------------------|-----------|--|
| Percentage of Match Funding | Good | Match funding represents 78% of the total cost of the scheme. Whilst it is acknowledged that this is a sunk cost the scheme has been key in leveraging investment in new vehicle on the route by the private sector. |
| Past Performance of Scheme Promoter | Excellent | Hampshire County Council have delivered many infrastructure schemes to time and to budget and have a long and successful relationship with the LEP |

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1st July 2020

Appendix 1 – Location of proposed Blackwater Valley Gold Grid – Hampshire Elements



Bus Lane Improvements

1. Victoria Road
2. Kingsmead South link to Pinehurst Roundabout
3. Alexandra Road approach to St Albans Roundabout

Signals-based Bus Priority

- a. Bradfords Roundabout
- b. Ham & Blackbird Roundabout
- c. Kingsmead/Victoria Road
- d. Boundary Road