

Annex D (to Appendix A): WLTB Final Business Case Pro-Forma for Major Schemes

Note

Major Local Transport Schemes are those with a cost of £5m or greater.

For these schemes there are three stages of assessment:-

1. Outline Business Case (to determine whether the scheme is a candidate for funding)
2. Conditional Approval Business Case – the key decision to confirm that the business case for the scheme is sound and to confirm the principle that it will be funded.
3. Final Approval – once procedures and procurement have been completed.

This pro-forma is to be used for the Final business case.

The decision in principle to fund the scheme will already have been taken at the Conditional



A Conditional Approval Business Case (CABC) for Package 1 was submitted in August 2018 and

assumed to accrue from 2020/21. It should be noted that the values

ECONOMIC CASE

Scheme Name

A38 Bromsgrove Major Scheme – Package 1
(Phase 1, Barley Mow Lane Junction)

Date

March 2019

Include a statement of any change in Assessment of Benefits/Impacts since submission of Business Case for Conditional Approval. If there has been no change in the Benefits it will be sufficient to say so.

Provide a revised Benefit to Cost ratio on the basis of the latest cost information.

Where a scheme is being delivered in phases the BCR calculation will be on the basis of the whole scheme, not the individual phase, and hence will be directly comparable with the BCR in the Conditional Approval Business Case.

For full details of the BCR calculations please see Appendix 4.

Assessment of benefits in the economic case

The assessment of benefits has been updated to reflect new TAG tables issued in November 2018. Otherwise, the calculation of benefits remains as per the CABG for the following reasons:

changes to the transport modelling have been taken forward.

- x The detailed design for the Barley Mow Lane junction is as per the CABG design therefore no changes to the modelling of this junction are required.
- x The design of the schemes for M42 Junction 1 and M5 Junction 4 remain as per the CABG.

The revised BCR is 3.44.



improve signage and drainage to benefit pedestrians and cyclists have been incorporated within the final design. Other opportunities at the motorway junctions will be considered as the detailed design continues.

The overall impact of the proposal should be set out in an updated Appraisal Summary Table which will be an Appendix to the Business Case.

An updated AST is included as Appendix 5. Please note that the assessments remain as per CABG stage with the exception of revised economic indicators (taking account of TUBA updates and revised costs).

Value for Money Statement

Conclusion from value-for-money assessment and VfM category.

As noted above the revised BCR is 3.44 (core scenario). This falls into the high value for money category.

FINANCIAL CASE

Scheme Name: A38 Bromsgrove Major Scheme
– Package 1 (Phase 1, Barley)

Scheme Costs – M42 Junction 1 and M5 Junction 4

This table sets out the funding that will be required for the additional schemes that comprise Package 1. This funding will be sought through a second phase of the FBC.

These figures are outturn costs therefore include inflation and QRA but exclude optimism bias.

Main Expenditure Items (include

Budgetary Impact Summary – Barley Mow Lane junction

This table sets out the funding sought from WLEP and GBSLEP through this FBC. As such, it relates to

Budgetary Impact Summary – full Package 1

This table sets out the funding that will be sought in total for the full Package 1 scheme (Barley Mow Lane junction, M5 Junction 4 and M42 Junction 1) via a combination of this business case and a future second phase business case relating to the motorway junctions.

Forecast Net Budget profile (£m)	FY 17/18	FY 18/19	FY 19/20	FY 20/21	Total
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Anticipated Funding & Financing Arrangements

Summarise the funding arrangements for the scheme. Indicate the situation with regard to third party funding and/ or borrowing. Outline risks associated with delivery of external funding and repayment of borrowing.

The overall scheme cost, for use in the financial case, is £7,586,684 (outturn cost, including inflation and QRA). Further detail on the scheme cost is included as Appendix 2. The overall total estimated cost for Package 1 is now slightly below the original forecast assumed in the CABC submitted in September 2018.

Please note that:

- x The sum stated in the financial case takes the Target Price from the Contractor for the Barley Mow Lane junction scheme and adds this to the costs of the motorway junction schemes as per the CABC, to calculate a cost for the overall Package.
- x The Target Price for constructing the Barley Mow Lane junction is below the original forecast assumed in the CABC. This reflects a reduction in the estimated value of Part 1 claims and reduced risks/QRA costs specific to this junction. Please note that the cost used is the Target Price plus 5% as this represents the maximum cost that could be claimed by the contractor under the terms of the contract.
- x With no change in scope since the CABC, the baseline construction costs for works at the M42 and M5 remains the same. Overall the total package cost remains broadly the same as at CABC stage. This is because whilst QRA and Part 1 claims costs are reduced there are increases in construction costs due to changes in programme and also increased preparation and supervision costs.
- x The financial case includes an allowance for inflation, as set out in Appendix 2.
- x The financial case includes a sum for QRA, as set out in Appendix 3. The QRA has been updated for this FBC submission and includes a robust assessment of potential risks. Overall the risk allowance within the QRA equates to around 25% of works/preparation and supervision costs.
- x Optimism bias is not included in the financial case. This is consistent with the presentation of scheme costs within the CABC and in line with WebTag guidance. However, optimism bias is included separately at the appropriate rate for assessment within the economic case.
- x The scheme costs used in the financial case include an updated cost estimate for Part 1 claims across all the Package 1 schemes.

Package 1 funding is being sought from a combination of sources, as follows:

- x GHF –

improvements to the transport network necessary to support growth. The proposed scheme is part of these improvements.

WCC is currently in negotiations with the developers of two large strategic sites for which £1.34 million of S106 monies are planned to be allocated to Package 1 schemes. However, at the time of writing, these funds have not been secured, due to delays in consenting these sites. This risk was noted at CABC stage and since CABC approval WCC has been working to address this issue. At the WCC formal Cabinet meeting in September 2018 it was agreed that the Council would 'forward fund' these sums. The Cabinet Report which confirms this is included as Appendix 13 for information.

Scheme Cost Estimate and Key Financial Risks

A detailed cost estimate and a quantified risk assessment should be included as an Appendix.

Summarise in the table below key risks to cost forecasts or to budgetary impacts.

A revised project cost estimate and spend profile is provided in Appendix 2. A quantified risk assessment is provided in Appendix 3.

construction programme, redesign and

complements the Council's strategic approach to commissioning. The term contractor is engaged for a number of years to deliver small to medium-sized projects for the Council and has been engaged following an Open procurement under OJEU and the Public Procurement Regulations. The contractor has already been engaged for the Barley Mow Lane junction scheme.

Rates and prices agreed at the outset of the contract are benchmarked against inflation indices to ensure they remain competitive and maintain cost-effective pricing. Incentives are included to ensure the contractor is engaged in delivering Early Contractor Involvement (ECI) solutions that not only reduce project costs but also optimise programmes and resources. In a long-term contract, the contractor works with The Council to find ways to provide the works inside the funding profile and the budget constraints.

The contractor, being a long-term supplier, is familiar with The Council's aims and objectives, the Local Transport Plan and the Worcestershire Economic Plan and works collaboratively to achieve those goals. This can be evidenced in a number of schemes currently in delivery with the contractor, for example, Southern Link Road phases 1 to 3 and the Hoobrook Link Road and schemes they are already contributing to the development of, such as Churchfields in Kidderminster and Upton-upon-Severn flood alleviation. Their understanding of WCC corporate aims ensures they consider these when compiling their working methods. Additionally, they are invested in an ongoing relationship with WCC, delivering multiple projects, and are incentivised to meet our goals as this encourages us to procure more projects via this contract.

Design finalisation and asset management including whole life costs are optimised because the contractor is able to comment and influence designs at the earliest opportunity.

Having the contractor engaged early broadens the project team which in turn helps to identify and manage risks early in the project resulting in improved cost certainty for the latter construction phases.

Financing Arrangements and Payment Mechanisms

Outline financing arrangements, and payment mechanisms including incentives.

A method of payment allowing for monthly assessments of the costs accrued is included in the contract as this allows for optimal cash flow for the supplier, the supply chain and The Council. Similarly, quality and standard of final construction will be managed through retention clauses and performance management.

Operationally, when the contractor submits an application for payment to the project manager for acceptance, we have engaged experienced quantity surveying advice to examine the submission. This will ensure we have oversight and detailed scrutiny of cost applications. The project manager will have a clear understanding of the current status of the actual costs to date and the anticipated costs to completion as the contractor is required to submit a forecast of the costs to him every calendar month.

Clauses requiring fair payment terms throughout the supply chain along with measures to audit this in contract form an integral part of the terms and conditions.

Construction quality will be regularly audited through the project lifecycle, using qualified and experienced personnel to ensure all defects are corrected promptly and the scheme meets the standards required by the specification. Contract assurance audits are also undertaken from time to time to ensure contractual processes are timely, accurate and compliant.

Risk Allocation and Transfer

Summarise how risk is transferred as part of contracting process.

An initial assessment has been undertaken on how the types of risk might be apportioned or shared, with risks allocated to the party best placed to manage them, subject to achieving value for money. The contract will include clauses to facilitate the transfer of appropriate risks from The Council to the contractor.

The risk of costs being higher than currently predicted remains until the pricing process is complete, which is the point that this risk can be transferred to the contractor (on project award). The indicative allocation of risks resulting from the contractual and procurement arrangements is summarised in Table 23. At this stage, ticks have been provided to indicate where each risk type rests or whether these risks are shared between the two.

Risk allocation

Risk Category	The Council	Supplier
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MANAGEMENT CASE

Scheme name:

A38 Bromsgrove Major Scheme – Package 1
(Phase 1, Barley Mow Lane Junction)

Date:

March 2019

Risk Management Strategy

Include a summary of the main risks derived from scheme risk register, together with an assessment of the effectiveness of any mitigating actions.

The updated risk register is included alongside the QRA in Appendix 3.

The main risks to the delivery of Package 1 are set out below. Risks related to finance and budget are included within the financial case.

Summary of risks

	Risk	
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No specific statutory powers or acquisitions are required for the Barley Mow Lane junction scheme.

Road safety audits have been undertaken, and no other procedures are required prior to starting2 250.8 0 12

Senior Responsible Owner DECLARATION

As Senior Responsible Owner for [[A38 Bromsgrove Major Scheme Package 1, Phase 1](#)] I hereby submit this request for funding consideration to the Worcestershire Local Transport Body.

Name:

[Nigel Hudson](#)

Signed:

Position:

[Head of Strategic Infrastructure and Commissioning](#)

Section 151 Officer DECLARATION

As Section 151 Officer for [Worcestershire County Council](#) I declare that the scheme cost estimates quoted in this bid are accurate to the best of my knowledge and that [Worcestershire County Council](#) has allocated sufficient budget to develop and deliver this scheme on the basis of its proposed funding contribution

Name:

[Steph Simcox](#)

Signed:

Position:

[Head of Strategic Infrastructure and Financial Resources](#)

CONTACT DETAILS FOR FURTHER ENQUIRIES

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