

BERKSHIRE LOCAL TRANSPORT BODY (BLTB)

REPORT TO: BLTB

DATE: 19 November 2015

CONTACT OFFICER: Ruth Bagley, Chief Executive Slough Borough Council,
lead Chief Executive to the BLTB

PART I

Financial Approval 2.11 and 2.12 Reading: South Reading MRT Phases 1 and 2

Purpose of Report

1. To consider giving financial approval to schemes 2.11 and 2.12 Reading: South Reading MRT Phases 1 and 2. This is one scheme that was split into two phases in anticipation of there being insufficient funds to approve the whole of the necessary works. In the event both phases 1 and 2 have received funding and the proposal is to manage this as one scheme through to completion.
2. The proposal is for the construction of sections of segregated bus-only highway alongside sections of the A33 in South Reading from M4 junction 11 to the Island Road Junction. This scheme will connect to the MereOak Park and Ride south of the M4 and utilise the bus priority measures built into the design of junction 11. The scheme is designed to increase the capacity of the A33 to deliver journeys at peak hours by encouraging modal shift from private car to buses and is planned in conjunction with the green travel plans of, Madejski Stadium, Green Park and other major employment sites along the A33 corridor.

Recommendation

3. You are recommended to give schemes 2.11 and 2.12 Reading: South Reading MRT Phases 1 and 2 conditional financial approval in the sum of £4,500,000 over two years (2016/17-2017/18) on the terms of the funding agreement set out at paragraph 12 step 5 below.
4. The condition that will have to be met in order to gain full financial approval is that the BCR methodology be further reviewed and recalculated to the satisfaction of the independent assessor, and produce a BCR of 2.00 or more. Failing this, the scheme will have to be revised and represented to a future meeting of the BLTB.

Other Implications

Financial

5. Schemes 2.11 and 2.12 Reading: South Reading MRT Phases 1 and 2 were named schemes in the [Thames Valley Berkshire Local Growth Deal](#) announced on 7 July 2014.
6. This report recommends that Reading Council be authorised to draw down the capital sum £4,500,000 from the Local Transport Body funding for this scheme.

7. The funding agreement set out at paragraph 12 step 5 sets out the roles and responsibilities, reporting and auditing arrangements, timing and triggers for payments, contributions from other funders, consequences of delay, consequences of failure, claw back, and evaluation requirements at one and five years on.

Risk Management

8. The risk management arrangements already put in place by the Local Transport Body are as follows:
- The [Assurance Frameworkⁱⁱ](#) has been drafted following DfT guidance and has been approved by the DfT for use in allocating capital funds for transport schemes
 - White Young Green (WYG) have been appointed as Independent Assessors and have provided a full written report (see Appendix 1) on the full business case for the scheme
 - The funding agreement set out at paragraph 14, step 5 makes clear that the financial risk associated with implementation of the scheme rests with the scheme promoter.

Human Rights Act and Other Legal Implications

9. The scheme promoter is a local authority and they have to act within the law. Slough Borough Council will provide legal support for the BLTB, should any questions arise.

Supporting Information

10. The scheme will be carried out entirely by Reading Borough Council.
11. The full details of the scheme are available from the [Reading BC websiteⁱⁱⁱ](#). A summary of the key points is given below:

Task	Timescale
Detailed design update	January 2016
Procurement	June 2016
Contractor appointed	June 2016
Construction	July 2016
Open to public	November 2017

Activity	Funder	Cost (approx)
Scheme development	Reading Borough Council	£0.35m
Major scheme funding	Berkshire Local Transport Body	£4.50m
Private sector funding	s.106 and other sources	£1.12m
Total		£5.97m

12. The table below sets out the details of this scheme's compliance with steps 1-5 of paragraph 14 of [the full Assurance Framework](#)^{iv}.

Assurance Framework Check list	2.11 and 2.12 Reading: South Reading MRT Phases 1 and 2				
Step 1: Development of Scheme proposal; initial sifting, scoring and prioritisation leading to award of Programme Entry Status. (See paragraphs 11-13)	<p>The scheme was originally developed by Reading Council in response to its adopted Core Strategy Development Plan Document (Jan 08) which identifies the vision for growth to 2026. The A33 between the M4 junction 11 and the Town Centre is a major transport corridor and serves major employment sites, the football stadium, major retail sites and some new housing developments.</p> <p>In 2013, the full South Reading MRT scheme (Mereok to Reading Town Centre) was assessed in accordance with paragraphs 11 and 12 of the Assurance Framework and was given 23 points and ranked 4th of the 28 schemes originally submitted. However, the cost of the scheme exceeded the funds available at that time, and the scheme was not given further consideration on the grounds that it was unaffordable.</p>				
		Raw score	Weighting	Weighted score	
	Maximum strategic Impact	3	2	6	
	Economic Impact	2	2	4	
	VFM	2	1.5	3	
	Ease of Deliverability	2	1.5	3	
	Matched Funding	2	1	2	
	Environmental	3	1	3	
	Social	2	1	2	
	Total			23	
	<p>The scheme was resubmitted for inclusion in the Strategic Economic Plan. A similar assessment process was used and the scheme was given 22 points and ranked equal 21st of 37 schemes originally submitted. The scheme was subsequently reduced in size and scope, and Phases 1 (J11-Green Park) and 2 (Green Park-Island Road) were eventually included in the SEP. The scores below are for the full scheme, not Phases 1 and 2.</p>		Raw score	Weighting	Weighted score
	Strategy	3	1.5	4.5	
	Deliverability	2	2	4	
	Economic Impact	2	4	8	
TVB area coverage	2	1.5	3		
Environment	3	0.5	1.5		
Social	2	0.5	1		
Total			21		
Step 2: Programme Entry: evolution of the scheme from outline proposal to full business case, external view on	<p>The SEP identifies Phase 1 and 2 as two separate schemes, but as both have been funded, they have been recombined into a single scheme. Programme Entry status was given by the BLTB on 24 July 2014^v. (Minute 6b refers)</p> <p>The progress of the scheme was reported to the BLTB meetings held on 20 November 2014^{vi}, 19 March 2015^{vii} and 16 July 2015^{viii}.</p>				

Assurance Framework Check list	2.11 and 2.12 Reading: South Reading MRT Phases 1 and 2
the business case, and independent assessment (See paragraphs 15 and 16)	<p>The outline of the scheme has been publicly available from the TVB LEP website^{ix} since July 2013.</p> <p>A detailed version setting out phases 1 and 2 has been available in the SEP Implementation Plan Annexe^x (schemes 2.11 and 2.12 pages 76 and 84) in draft since December 2013 and in the final version since March 2014.</p> <p>The Reading BC website^{xi} holds the latest details of the full business case, including the VfM statement certified by the senior responsible officer.</p> <p>Any comments or observations on the scheme received by either TVB LEP or Reading Borough Council have been fully considered during the development of the scheme.</p> <p>The report of the Independent Assessor is attached at Appendix 1. The Independent Assessor was asked to report as follows:</p> <ul style="list-style-type: none"> • Completeness – has the promoter prepared a complete Full Business Case submission, when judged against the prevailing advice from the DfT • Accuracy – has the promoter performed the relevant calculations and assessments accurately and without error • Relevance – has the Full Business Case considered all relevant matters, including use of appropriate forecasting models and planning assumptions, and has it included any irrelevant considerations such unduly-optimistic assumptions or out of date modelling data • Value for Money – does the scheme promoter’s Value for Money assessment comply with the prevailing DfT guidance • Evaluation arrangements – has the scheme promoter made provision for appropriate post-implementation evaluation of the scheme. • Remedies – where the independent assessment reveals a gap between the FBC supplied and the standard anticipated by the DfT guidance, then the advice for the LTB should include recommendations for remedial actions required – e.g., collection of further data, sensitivity tests on particular assumptions etc.
Step 3: Conditional Approval	The Independent Assessor has recommended that in this case a Conditional Approval is appropriate.
Step 4: Recommendation of Financial Approval - High Value for Money - Support of the Independent assessor	<p>The scheme has a Benefit- Cost Ratio (BCR) of 3.28, but the independent assessment has described some reservations with the methodology used to arrive at this figure which have yet been resolved to their satisfaction.</p> <p>DfT has set thresholds of 2.00 (High VfM) and 4.00 (Very High VfM) and schemes with BCRs above these thresholds can be described as having High or Very High Value for Money.</p> <p>As noted above the scheme has the conditional support of the Independent Assessor.</p>

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	<p>The recommendation is that you give the scheme Conditional Approval pending the further review of the BCR calculation methodology. In the event that this returns a final BCR in excess of 2.00 the condition will be met and the scheme will get full approval. In the event that this review returns a final BCR below 2.00, the condition will not be met and the scheme will have to be further reviewed and revised before being represented at another meeting.</p>
<p>Step 5: Formal Agreement</p> <ul style="list-style-type: none"> - roles - responsibilities - reporting - auditing - timing and triggers for payments, - contributions from other funders, - consequences of delay, - consequences of failure, - claw back, - evaluation one and five years on 	<p>Roles: The BLTB is a part funder of the scheme. Reading Council is the scheme promoter, and is the relevant highway and planning authority.</p> <p>Responsibilities: The BLTB is responsible for allocating the capital finance in accordance with the Assurance Framework. Reading Council is responsible for all aspects of the design, procurement, construction and implementation of the scheme, including its responsibilities as highway and planning authority, and any other statutory duties.</p> <p>Reporting: In addition to any reporting requirements within Reading Council, the scheme promoter will also make summary reports on progress to each meeting of the BLTB until the scheme reaches practical completion. In particular, Reading Council will report on any change in the size, scope or specification of the scheme; and on any substantial savings against the scheme budget whether achieved by such changes to the size, scope or specification of the scheme, or through procurement, or through the efficient implementation of the scheme.</p> <p>Auditing: If and when the DfT or Slough Borough Council (acting as accountable body for the BLTB) requests access to financial or other records for the purposes of an audit of the accounts, Reading Council will cooperate fully.</p> <p>Timing and Triggers for payments: Reading Council will submit an annual invoice for each financial year together with a certificate of work completed. Slough Borough Council (acting as accountable body for the BLTB) will satisfy itself of the correctness of the certificate before paying the invoice.</p> <p>Contributions from Other Funders: there will be £740,000 of s.106 contributions secured by Reading Council in 2016/17 and a further £380,000 in 2017/18.</p> <p>Consequences of Delay: In the event that the scheme experiences minor delays to its programme (no more than 10 weeks), Reading Council will report these delays and the reasons for them, and the proposed remedial action to the next available meeting of the BLTB. In the event that the scheme experiences major delays to its programme (11 weeks or longer) Reading Council will be required to seek permission from BLTB to reschedule any payments that are due, or may be delayed in falling due because of the delay to the programme.</p>

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	<p>Consequences of Failure: As soon as it becomes apparent to Reading Council that it will not be possible to deliver the scheme at all, written notice shall be given to Slough Borough Council (acting as accountable body for the BLTB). No further monies will be paid to Reading Council after this point. In addition, consideration will be given to recovering any monies paid to Reading Council in respect of this scheme.</p> <p>Claw back: If the overall scheme achieves savings against budget, these savings will be shared by the BLTB and the other funders noted above in proportion to the amounts committed to the original budget. Slough Borough Council (acting as accountable body for the BLTB) reserves the right to claw back any such savings amounts, and any repayments due as a consequence of scheme failure.</p> <p>Other Conditions of Local Growth Funds: Reading Borough Council will acknowledge the financial contribution made to this scheme through Local Growth Funds and follow the "Growth Deal Identity Guidelines"^{xii} issued by government. It will also give due regard to the Public Services (Social Value) Act^{xiii}, particularly through the employment of apprentices across the scheme supply chain.</p> <p>Evaluation One and Five years on: Reading Council will work with WYG to produce scheme evaluations One and Five years after practical completion.</p>

Conclusion

13. This is a well-planned scheme that will provide further support for the development of a Mass Rapid Transit system for the Reading urban area.

Background Papers

14. The LTB and SEP scoring exercise papers are available on request

ⁱhttps://www.gov.uk/government/uploads/system/uploads/attachment_data/file/327587/35_Thames_Valley_Berkshire_Growth_Deal.pdf

ⁱⁱ<http://thamesvalleyberkshire.co.uk/Portals/0/FileStore/StrategicInfrastructure/StrategicInfrastructure/BLTB/Assurance%20Framework%20for%20Berkshire%20Local%20Transport%20Body%2014%20November%202013.pdf>

ⁱⁱⁱ <http://beta.reading.gov.uk/article/4292/Transport-Schemes--Projects>

^{iv}<http://thamesvalleyberkshire.co.uk/Portals/0/FileStore/StrategicInfrastructure/StrategicInfrastructure/BLTB/Assurance%20Framework%20for%20Berkshire%20Local%20Transport%20Body%2014%20November%202013.pdf>

^v <http://www.slough.gov.uk/moderngov/ieListDocuments.aspx?CId=601&MId=5148&Ver=4>

^{vi} <http://www.slough.gov.uk/moderngov/ieListDocuments.aspx?CId=601&MId=5181&Ver=4>

^{vii} <http://www.slough.gov.uk/moderngov/ieListDocuments.aspx?CId=601&MId=5473&Ver=4>

^{viii} <http://www.slough.gov.uk/moderngov/ieListDocuments.aspx?CId=601&MId=5459&Ver=4>

^{ix}<http://thamesvalleyberkshire.co.uk/Portals/0/FileStore/StrategicInfrastructure/StrategicInfrastructure/BLTB/Reading-BC-02-Southern-MRT.pdf>

^x<http://thamesvalleyberkshire.co.uk/Portals/0/FileStore/StrategicEconomicPlan/TVB%20SEP%20-%20Annexes%20to%20Implementation%20Plan.pdf>

^{xi} <http://beta.reading.gov.uk/article/4292/Transport-Schemes--Projects>

^{xii} <https://www.gov.uk/government/publications/regional-growth-fund-identity-guidelines>

^{xiii} <https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources>