

Funding Meeting

Agenda item 6

A284 LYMINSTER BYPASS

Introduction

1. This paper considers the bid for funding by West Sussex County Council for the A284 Lyminster Bypass scheme.
2. Additional documents are available on the Coast to Capital website:
 - The promoting authority's business case
 - An independent assessment report into this scheme produced by AECOM.
3. **The paper recommends that the funding request should be conditionally approved, subject to further development of the scheme, particularly its funding package**

Background

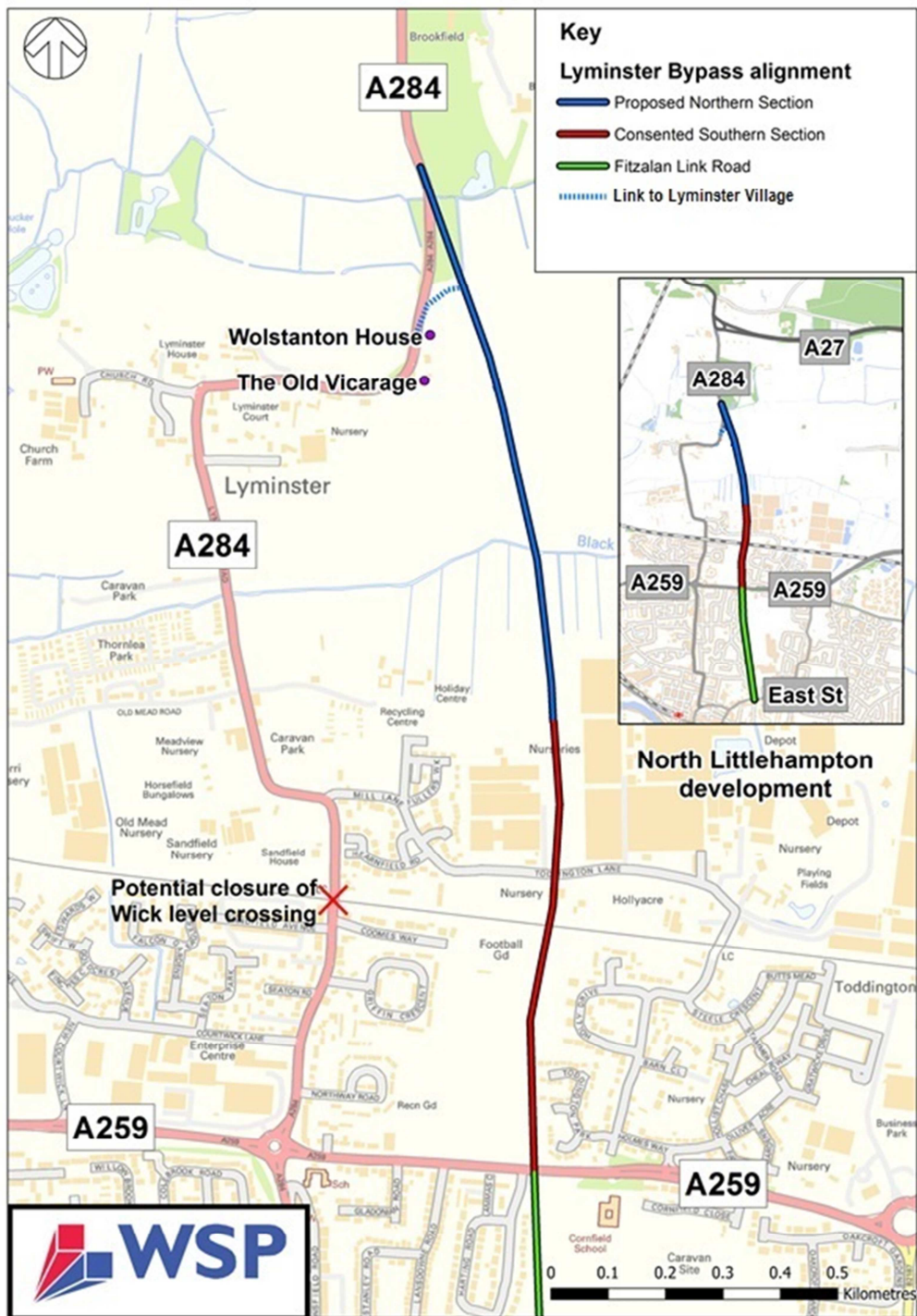
4. This scheme was one of the first five schemes to be approved by the Local Transport Body in July 2013. These five schemes were then endorsed by the Government and subsequently included in the Coast to Capital Strategic Economic Plan. The Government repeated its support for these schemes in the Growth Deal announced in July 2014.
5. This means that the scheme already has been approved in principle as a good fit with the policies and objectives of the Strategic Economic Plan. Unlike the sustainability and resilience programme, this scheme is not competing against other schemes. The question for the LTB to consider is whether the scheme is deliverable, is good value for money and provides the anticipated benefits for economic growth.
6. As the scheme has a gross cost of more than £5 million, a full business case is needed.

The scheme

7. The A284 Lyminster Bypass is a 1.8 km realignment of the A284 to the north of Littlehampton, bypassing Lyminster and Wick villages. The scheme would support the delivery of the Arun Local Plan which seeks to deliver 4,695 jobs, 2,600 homes and 27,370sqm net employment floorspace in east Arun, including direct access to the north Littlehampton strategic development

which has outline planning permission for 1,980 homes and 2 hectares of employment floor space leading to the creation of 700 jobs.

8. The overall scheme consists of two sections. The southern section is 0.7 km and is being funded and delivered entirely by developers. This application is for the northern section, a 1.1 km road between Todington Nurseries and the existing A284 North of Lyminster village.



9. The scheme is needed because the existing alignment of the A284 is tortuous and has several tight bends, leading to slow and unreliable journeys and poor air quality for residents. The new road will provide access to the north Littlehampton strategic development site and also bypasses the villages of Lyminster and Wick, providing a shorter and less congested route for motorists between Littlehampton and the trunk road network via the A27. By improving access to Littlehampton, the scheme will support wider regeneration of the area.

Independent Scheme Assessment

10. In line with the LTB's Assurance Framework, an independent assessment has been commissioned from consultants AECOM. These consultants were chosen by competitive tender and have no financial or other interest in this scheme.

11. The consultant's report is enclosed with these papers.

12. AECOM have identified areas where the scheme meets the LTB's requirements and other areas where further work is needed. Their overall recommendation is:

"On the basis of the materials viewed and discussions with the scheme applicant thus far, the business case suggests that the scheme could proceed in 2015/16 subject to satisfactory responses to the issues and questions identified by AECOM."

(Page 13, Section 4. Conclusions)

Policy fit - strategic and economic cases

13. By linking the growth area of Littlehampton to the trunk road network at the A27, the scheme helps to unlock a large number of new homes, jobs and hectares of employment floor space. The business case claims that the scheme would directly support the delivery of 1,980 homes and 2 hectares of employment floor space leading to the creation of 700 jobs. These form part of the 4,695 jobs, 2,600 homes and 27,370sqm net employment floorspace being delivered in east Arun through the Arun Local Plan.

14. It is difficult to be precise about the exact economic impact of the scheme. AECOM have identified that the strategic case could be strengthened by further research and an expanded explanation of the economic benefits of the northern bypass.

15. These issues appear to be largely presentational. The consultants have agreed that the scheme provides a number of strategic benefits – the remaining question is whether these benefits could or should be fully quantified in the business case. At its most extreme, this could mean that the scheme promoters would need to rewrite a substantial proportion of the business case.

16. In our judgment, the strategic case for the scheme has already been made when the scheme was first accepted for funding in July 2013. The independent assessment of the business case has confirmed that a sizeable number of new homes would be unlocked by the scheme, although it is

not clear exactly how many. It would not seem to be a good use of resources to undertake further work to refine a strategic case that has already been shown to be positive.

17. However, it would be sensible to make an improved presentation of the scheme before full approval is given. This is discussed further in paragraph 35.

Scheme options

18. The scheme as presented contains two main options – with and without the closure of the Wick level crossing. The original intention was to close the level crossing using a financial contribution of £1 million which had been offered by Network Rail. This contribution has since been withdrawn, although negotiations are continuing with Network Rail to see if it can be reinstated.

19. In discussions between AECOM and West Sussex, it has emerged that neither option fully represents the most likely scenario under which the scheme could operate. It is the promoter's intention to demonstrate the range of possible scenarios for the scheme. AECOM have pointed out that this could be confusing for readers of the business case as it is not clear which option is being reported within the business case (paragraphs 3.2.12 to 3.2.14 of the AECOM report).

20. In their overall conclusions, AECOM recommend further work on:

"Providing clarity on Option 1 vs Option 2 testing and explicitly identifying the preferred scheme upon which the business case is reporting."

(Section 3.3)

21. It is not unusual for a scheme promoter to continue to develop a scheme after it has received funding approval. This is a natural consequence of the design process. In this case, it would be reasonable to ask the scheme promoter for a firmer scheme design on which to base a decision on full funding approval.

22. It should be noted that all of the scheme options under consideration would have a very high benefit to cost ratio (discussed in the next section of this report). This should give the LTB reassurance that the scheme can be conditionally approved.

23. We would encourage the scheme promoter to continue to negotiate with Network Rail to secure the closure of the Wick level crossing. It is not essential for the scheme but would be a desirable additional outcome. The LEP has raised this with Network Rail and will continue to lobby on West Sussex's behalf for the reinstatement of their £1 million contribution.

Value for Money

24. The LTB Assurance Framework requires successful schemes to have either a benefit cost ratio of more than 2:1 or some other compelling benefit. The benefit cost ratio for the A284 Lyminster Bypass is between 24.7 and 25.8 to 1. This is considerably higher than the Department for Transport's threshold of 4:1 for schemes to be considered as "very high value for money".

25. AECOM have identified a number of ways in which the benefit: cost ratio could be strengthened. Whilst these are sensible suggestions they do involve additional work for the scheme promoters. There is no evidence to suggest that the scheme would have a lower benefit cost ratio than claimed, which is already considerably higher than the LTB's requirement.

26. Accordingly, we do not recommend further work to refine the benefit: to cost ratio, unless the scheme promoters become aware of factors which might reduce it. It is more important that scarce resources are devoted to scheme delivery than to honing a figure which is already considerably higher than the LTB's requirements. West Sussex County Council have confirmed that the BCR is likely to rise to more than 30 to 1 with the latest design of the scheme.

27. Because of this, we are happy to recommend that the scheme offers very high value for money. A value for money statement is attached at Annex A.

Delivery and risks

28. The scheme has adequate project and risk management mechanisms in place. AECOM have raised no concerns about these, other than to note that the CPO public inquiry presented significant risks to delivery and timescale. This is not unusual for a new road scheme.

Finances

29. The cost of the scheme has risen since it was first accepted in principle in July 2013. At that time, the grant component of the scheme was £3 million, with the remainder met from local contributions. In December 2014, the scheme promoters made a formal request for the grant to be increased from the £3 million to fill a funding gap of £2.52 million.

30. The scheme promoters have held discussions with the LTB (in private session) and the LEP about how this funding gap might be filled .

31. At the time of writing, the scheme does not have a complete funding package. There is, as yet, no provision to meet the funding gap of £2.52 million. We understand that the scheme promoters are looking for alternative sources of funding.

32. We therefore consider that the LTB should not give full approval to the scheme at this stage. The completion of the scheme cannot be guaranteed until a full funding package is in place. However, the LTB could decide to give a conditional approval, with one condition being that a full funding package should be identified. That is our recommendation.

Revised Business Case

33. One outstanding question is whether the business case should be revised or rewritten. AECOM have made a number of recommendations which would strengthen the business case and include additional information, such as the relationship between the scheme and the Government's announcements about the A27 in the 2014 Autumn Statement. AECOM have also pointed out that some parts of the business case can be difficult to follow, particularly the discussion of options which may not be built.

34. We would recommend a degree of proportionality. The LTB's and LEP's role is to deliver the best possible schemes and not to write the best possible business cases. Because of this we recommend that the promoting authority should be invited to submit supplementary information and to correct errors in their business case. But we do **not** recommend asking West Sussex County Council to undertake a major revision of their business case or further refinement of a clearly positive BCR.

35. Our recommendation is that West Sussex County Council be asked to produce a supplementary statement to present the scheme in its latest form and to answer these and other questions raised by AECOM, so far as they are relevant to the scheme. This supplementary statement could then be published on the LTB website to deal with any confusion arising from the current business case.

Conclusions and recommendations

36. The A284 Lyminster Bypass remains a strong scheme. It offers very good value for money, with a benefit to cost ratio of more than 24 to 1. It helps to unlock large numbers of new homes, hectares of employment land and jobs. It reduces congestion, reduces journey times and helps to promote reliable journeys. It also takes unsuitable through traffic away from the villages of Wick and Lyminster.

37. However, there are uncertainties about the scheme which mean that we do not recommend full approval at this stage. In particular, we do not yet know exactly how the funding gap will be filled. Because of this, we recommend that the scheme should be given conditional approval.

38. AECOM have made a number of recommendations to improve and strengthen the business case. We recommend that West Sussex County Council should take a measured approach to these amendments. The LTB should ask the County Council to provide a supplementary statement to respond to these points and to clarify both the final design of the scheme and its funding package.

39. Full funding approval should be conditional on this supplementary statement being considered to be satisfactory. We recommend that the LTB consider this scheme again in another public meeting.

40. **We recommend:**

- That the A284 Lyminster bypass be given conditional approval, subject to West Sussex County Council providing a satisfactory supplementary statement which would include:
 - greater clarity on the scheme being proposed.
 - a full funding package with no funding gap
 - answers to other questions raised by AECOM, as appropriate.

Iain Reeve
Transport Adviser
Coast to Capital

19 March 2015

Annex A

COAST TO CAPITAL VALUE FOR MONEY STATEMENT

A284 Lyminster Bypass

1. Coast to Capital LEP has examined the business case for A284 Lyminster Bypass as proposed by West Sussex County Council in December 2014.
2. The business case has also been independently assessed by transport consultants AECOM.
3. The promoting authority, West Sussex County Council, estimates that the scheme would have a benefit to cost ratio of in excess of 24 to 1. Both Coast to Capital LEP and AECOM consider this to be a reasonable estimate of the value for money of this scheme.
4. It is possible that there could be some variation in the value for money of the scheme as the design is finalised. But given that it is considerably higher than the LTB's requirement of 2:1, we are happy to certify that, to the best of our knowledge, this scheme offers very high value for money.

Ron Crank
Chief Executive
Coast to Capital LEP

25 March 2015