

East Lancashire Strategic Cycleway Network draft Business Case – Response to points raised in Atkins Scrutiny Report 05/05/15

Version 1.2 - 27/05/2015

Key

Points raised in Atkins Independent Scrutiny Report of East Lancs Cycleway Business Case for TfL meeting 21/04/15

Points raised by Kathryn Black of Atkins in follow up e-mail of 29/04/2015

Proposed response to issues raised by Atkins

1. Further justification of scheme in terms of health and access to employment

Provide further supporting evidence to address localised challenges relating to health and access to employment

A clear case for the scheme at the local level - directly linking the ability of the scheme to address the localised issues of health and obesity i.e. why a cycle scheme over other solutions, and what the results could look like for East Lancashire following implementation. The health profile data provided for the respective areas was appropriate as Gary suggested. We would be looking for a statement explaining that these statistics are worse than the national (or North West) average to be linked to the expected outcomes/ planned benefits of the scheme, and therefore how the scheme will address the issues highlighted by the evidence.

Health Evidence

The 2014 Health Profiles for Rossendale, Hyndburn and Blackburn with Darwen produced by Public Health England show that the Indicators relating to % of physically active adults (13), obese adults (14), life expectancy (25 & 26) and under 75 mortality rate (cardiovascular (30)) are worse than the national average in all 3 districts. In fact, all of these indicators are 'significantly worse^' than the national average for England with the exception of indicators 13 & 14 in Rossendale.

^ Lowest 25% percentile compared to the national average

A more detailed assessment of the Health Case for the East Lancashire Strategic Cycleway network is attached in **Appendix A**.

Public Transport Provision

An assessment of public transport services in the area has taken place. In Rossendale the options for people commuting to work are already limited by the fact that there is no commercial rail service or train station within the Borough.

The bus services vary in their frequency and quality in the areas served by the 4 cycle routes:

For example, along the main corridor from Rawtenstall to Rochdale (parallel to the **Valley of Stone** route) daytime buses run on a 15 minute frequency with evening buses on a 30 minute frequency. This is with the exception of the central section of the cycleway around New Line where there is only an hourly bus service.

Bus services along the **National Cycle Route 6** are less frequent with the employment areas to the west of Haslingden not directly served by a bus route. Between Grane Road and Station Road there is only an hourly service which ends at 17:40pm in the evening and to the south of this there are no bus services connecting the settlements of Irwell Vale, Lumb & Strongstry, where the cycleway will provide an alternative for commuters.

As the **Weavers Wheel** route, spokes and spurs cover most of the urban areas of Blackburn, then these are generally served well by bus services. However, there are gaps in this service with only an hourly service to the Samesbury Enterprise Zone from Blackburn, the service round Pleasington to the west only running 3 times a day and no buses along the south eastern section of the main wheel (Lower Darwen) which serves the significant industrial areas next to the M65 in the Blackamoor/Roman Road area.

There are also gaps in the bus service provision in the areas that the **Huncoat Greenway** scheme will provide connections to. At the western end of the existing Greenway there is only an hourly bus service which ends before 16:00. At the eastern end there are regular daytime bus services connecting to Huncoat Industrial Estate but after 18:30 these are hourly only. The new cycleway will provide an attractive alternative means of transport to anyone working in the evenings at Huncoat Industrial Estate.

Attached in **Appendix B** (i–iv) are plans that illustrate visually the information on bus services close to the 4 routes, as presented above.

This assessment of bus services in the East Lancashire area is only a snapshot of the current situation. A review of subsidised bus services across Lancashire is currently taking place which could impact upon a number of the services highlighted above.

The proposed cycleway will also be an attractive mode of transport in terms of cost for people on lower incomes. An annual season ticket for bus services in the area costs £750 and this would be one initial outlay whereas a bike and associated equipment and clothing could be significantly less than this figure and will have longer timescales for use than a year.

2. **Further justification of 15% risk allowance**

Ensure that a quantified risk assessment is carried out as a priority to establish the extent of the commercial risks associated with the scheme, who these should be allocated to, and enable appropriate mitigation to be put in place. A 15% risk allowance to cover uncertainties regarding construction (some scheme elements are well developed, other less so), land acquisition costs and inflation may not be sufficient within a £5.85M total funding cover.

Information to evidence/justify the 15% risk allowance or a quantified risk assessment

Overall Approach to Design, Risk Allowance and Cost Estimates

Each of the 4 routes within the East Lancashire Strategic Cycleway Network scheme have been split down into a number of manageable sections to be delivered in “Works Packages”. Each Works Package will contain detailed design, Specifications and Bills of Quantities, detailing the items of work to be carried out. A full walk over survey of the scheme has been carried out, highlighting the areas for improvement in order that detailed cost estimates can

be produced. This also includes the sections of the cycleway network where a detailed cost estimate already exists (see Section 3 below).

A value engineering exercise has been carried out simultaneously with the design process and the production of the bid documentation, to ensure a high level of confidence in the priced option is achieved.

Assessment of the risk for each works element has been carried out during the design stage with a view to eliminating or minimising the risk where possible.

At this stage we await detailed cost estimates to be produced on some sections together with quantitative assessment of each risk element. It is therefore pertinent to include a 15% Risk Allowance, this value being in line with general best practice

Examples of drawings to be submitted as part of each works package are attached for information in **Appendix C**.

Previous schemes & design work

The overall risk allowance figure of 15% applied to the programme represents a higher risk allowance than has typically been applied to Lancashire County Council and Blackburn with Darwen Council led cycleway schemes in the past. On schemes such as the Padiham Greenway and Preston Guild Wheel a 10% risk allowance was applied. Detailed design with robust cost estimates has already taken place on the southern section of the National Cycle Route 6, and on several sections of the Weavers Wheel, Huncoat Greenway and the Valley of Stone routes. In these areas there is a greater degree of certainty regarding costs and a 15% risk allowance applied across the whole programme will effectively mean a higher risk allowance for those sections where the detailed design has yet to be developed fully.

Both Blackburn with Darwen Borough Council and Lancashire County Council have delivered many cycleway schemes well within budget (when including a 15% risk allowance) in recent years. **Appendix D** illustrates several examples of these schemes including 3 projects delivered significantly under budget and for the Padiham Greenway scheme (which represents a similar scale project to the 3 main routes in this programme), out turn costs being only 1.4% above the original cost plan, on a £1.4M capital spend.

Value Engineering

Since the original submission of the business case, a value engineering exercise has been carried out. This has identified certain sections of the network where an existing route exists which ideally would benefit from widening or improvements but if there was an overspend elsewhere these could be left as they are without impacting upon the integrity of the network. On the Lancashire schemes the value of works on these sections totals £120,000 (construction costs only) and in Blackburn totals £200,000. Work on these sections has been moved back to the later years of the programme to allow for an assessment of spend on previous sections.

Section Options – 'Plan B'

An exercise was undertaken in November 2014 regarding potential route options for individual sections, to provide an alternative if it was proving difficult to implement the preferred route within the agreed timescales of the programme. While this task was carried out primarily to address potential issues with delivery, cost estimates have now been attributed to these options and potential significant costs savings have been identified.

The majority of the 'Plan B' routes would represent an 'on-highway' solution and implementing all of them would start to impact upon the quality of the overall network to be

delivered, the experience of users and the potential to attract new cyclists to commute to work.

However, this exercise has demonstrated that there are additional cost savings that can be generated to cover any uncertainty in the risks, while still delivering a workable East Lancashire Strategic Cycleway Network. An outline of the 'Plan B' route options is attached in **Appendix E**.

Jacobs have undertaken an independent quantified assessment of the impact upon GVA of pursuing all the lower cost 'Plan B' options set out in **Appendix F (v1.9)** using the same sensitivity tests and a 'Willingness to Pay' (WtP) Assessment. Section 5.3 of this report outlines the savings that could be generated by implementing the 'Plan B' options with Present Value of Costs (PVC) calculated at £5.4M, lower than that of the preferred scheme PVC of £7.1M. However, this is more than offset by the benefits that the preferred scheme will generate with calculated Present Value of Benefits (PVB) using 3 different growth scenarios ranging between £20M and £29.6M compared to the low cost PVB between £9.7M and £14.2M.

These figures are also reflected in the overall BCR score of the lower cost options ranging from **1.80 – 2.62** when compared to the preferred option BCR scores of **2.79 – 4.14**. Although in the highest two demand scenarios the BCR for the low cost scheme remains in the High VfM category, it is much lower than the preferred scheme. In the lowest demand category this would fall to a Medium VfM scheme while the preferred scheme remains High VfM.

Detailed Risk Register and Management Plan

Attached as an appendix to the original Business Case submission was a Risk Register for the delivery of the overall East Lancashire Strategic Cycleway Network programme. In addition to this a detailed Risk Register and Management Plan for each section of the cycleway has been produced which identifies risk, quantifies them in terms of their likely impact, suggests potential mitigation measures and identifies who owns this risk. This is a live document which is reviewed and updated at monthly project team meetings. It is a useful tool in monitoring any risks identified, ensuring appropriate action is taken against them and making sure that each section is delivered within budget and the timescales of the programme. The detailed Risk Register and Management Plan is attached in **Appendix G**.

Section 151 Officer letters

Both Lancashire County Council and Blackburn with Darwen Borough Councils have issued approved S151 officer letters for the programme. Therefore, in the unlikely event of any overspend on the programme this would be met by the Local Authorities with no risk to the Lancashire Economic Partnership through the Growth Deal funding element.

3. Cost Estimate Justification

In the absence of an independent cost verification we would seek a clear statement to confirm that the cost estimate is considered robust because of (delivery of similar schemes etc)

As stated in Section 2 above both Lancashire County Council and Blackburn Borough Council have experience of delivering cycleway schemes including Padiham Greenway, the Guild Wheel and the River Lune Millennium Park in Lancaster. The estimates for the

network are considered robust because of previous experience (**Appendix D**) and in light of the following information:

- The overall costs estimates for the Valley of Stone route were compiled by John Grimshaw, former Chief Executive of Sustrans who has many years' experience in the development and construction of similar cycleway schemes across the country.
- Lancashire County Council's direct works team have been involved in scoping some sections of the Valley of Stone route on site including Section 9 (Futures Park to Stubblelee Park) and Section 11 (Britannia Greenway) and have verified the estimates as being accurate.
- A detailed design and construction drawings have previously been produced for the southern end of National Cycle Route 6 (sections 15 – 19) providing a higher degree of certainty on cost estimates for this part of the route.
- Detailed design and construction drawings have also been produced previously for Section 2 of the Huncoat Greenway scheme which is the preferred option for this route.
- Detailed design has now been undertaken on the Weavers Wheel route which has provided greater certainty regarding cost estimates.
- Since the submission of the original business case a further 4-6 weeks of design work has taken place providing opportunity to review design issues and develop more robust cost estimates.

4. Inclusion of inflation in the Programme

A 15% risk allowance to cover uncertainties regarding construction (some scheme elements are well developed, other less so), land acquisition costs and inflation may not be sufficient within a £5.85M total funding cover.

An assessment of cost inflation over the four year programme to align with the spend profile. If the inflation assessment adds significantly to the scheme cost then this needs to be reflected in the overall cost allocation and any change to the element required from the LGF. Also, depending on the amount, we may seek a statement from you on the potential impact of this increased cost on the scheme BCR – although we expect this to be less significant.

- We have sought advice from Jacobs, the consultants working on the Economic Case of the Business Plan who have recommended that a 2.5% inflation rate be applied to the programme. Since the submission of the original business case further work on reviewing costs has taken place and following this exercise, the programme has been reprofiled with reduced costs and inflation applied at 2.5% a year until 2018/19. The table below illustrates the revised programme of spend which will not impact upon the amount of funding required from the LGF.

East Lancs Cycleway Network - Programme Summary (May 2015)

Expenditure Table	2014/15 £	2015/16 £	2016/17 £	2017/18 £	2018/19 £	Totals
Valley of Stone, Rossendale	-	915,000	370,000	256,250	305,150	1,846,400

NCN 6 - Accrington - Ramsbottom	-	484,000	596,000	277,750	731,454	2,089,204
Huncoat Greenway, Hyndburn	-	3,500	146,683	58,980	61,000	270,163
Weavers Wheel, Blackburn	56,000	304,348	296,925	41,383	40,374	739,030
Sub total Contingency @ 15%	56,000	1,706,848	1,409,608	634,363	1,137,978	4,944,797
Sub Total	56,000	1,962,875	1,621,049	729,518	1,308,675	5,686,517
Inflation @ 2.5%	-	-	40,526	36,932	100,625	178,083
TOTAL	56,000	1,962,875	1,661,575	766,450	1,409,299	5,856,200

The revised detailed programmes to reflect these inflation calculations are attached in **Appendix H (I & ii)**. The table below shows the updated Sections 3.2 and 3.3 of the Business Case to reflect the revised spend profile for the East Lancashire Strategic Cycleway Network scheme and the breakdown of Growth deal and Local Authority contributions.

Whole Life Costs (£m)		2014/15	2015/16	2016/17	2017/18	2018/19
Year		2014/15	2015/16	2016/17	2017/18	2018/19
Profile		0.06	1.963	1.662	0.766	1.409
Local Growth Fund (WLC £m)						
Profile			1.713	0.887		
Private Sector (WLC £m)						
Profile						
Other Public Sector (WLC £m)						
LCC Design			0.2	0.075	0.016	
LCC Works				0.650	0.700	1.359
BwDBC Design			0.005	0.005	0.005	0.005
BwDBC Works	0.06		0.045	0.045	0.045	0.045

5. Change in appraisal period from 60 to 30 years

Fully appraise the scheme based on a 30 year appraisal period which is appropriate for new off-highway cycle infrastructure, in the absence of fully quantified and funded maintenance costs which may otherwise justify a 60 year appraisal period.

My initial understanding was that all the supporting information was to be updated and included within the business case document, however following discussion with TfL it has been agreed that an email addressing the outstanding points will suffice. On this basis, we acknowledge that the 30 year appraisal test has been provided, as referenced in our review within the economic case. We therefore do not need any further information on this action.

- This issue has been resolved with further information supplied by Jacobs. This appraisal period has also been used in the assessment of the low cost options for the cycleway – see Section 5.3 of **Appendix F**.

6. Progress all planning permissions and compulsory purchase orders at the earliest opportunity

Progress all planning permissions and any compulsory purchase orders at the earliest opportunity, as this may impact upon the scope of the scheme, but recognising that the scheme is to be delivered over a 4 year programme.

Finally, the point regarding planning permission and land ownership is more a note of caution for management by the Project Board and thus does not require you to provide Atkins any further documentation.

- This issue has been agreed as not being a condition and will be resolved as designs are progressed and risks identified for each section of the cycleway.