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Greater Bristol Bus Network Major Scheme Business Case

Chapter 1

Developing the Full Approval Major Scheme Business Case



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1. The Case for Full Approval

INTRODUCTION

1.1.1 Bath and North East Somerset, Bristol City, North Somerset and South Gloucestershire Councils – the four Councils of the Greater Bristol sub-region - submitted a Major Scheme Bid for the **Greater Bristol Bus Network (GBBN)** to the Department for Transport (DfT) in July 2005. In July 2006 the DfT confirmed that the scheme had been granted Programme Entry status under the terms of the DfT's Major Scheme approval process.

1.2 We are very pleased to be able to submit our bid to the DfT setting out the **case for the scheme to be granted Full Approval** under the Major Scheme process.

The Greater Bristol Bus Network Major Scheme

1.3 The GBBN will deliver substantial improvements to the speed, quality, reliability and attractiveness of bus services in ten corridors across the Greater Bristol area in partnership with the major bus operator, First. The scheme is described in detail in Chapter 2 and supporting appendices, but in summary it comprises:

- ◆ Extensive bus priority measures in each corridor;
- ◆ New, modern accessible low-floor vehicles;
- ◆ Improved service frequencies and new routes;
- ◆ Improved passenger facilities;
- ◆ Improved passenger information including the expansion of the current Real Time Passenger Information (RTPI) system; and
- ◆ Measures that will also provide benefits to other road users including pedestrians, cyclists, cars and goods vehicles.

UNIQUE AND GROUND-BREAKING CHARACTERISTICS OF THE GBBN

1.4 In planning and developing the scheme it is clear that the GBBN will be ground-breaking in many respects – a view that has been confirmed through our ongoing discussions with the DfT.

The scheme is being jointly promoted by the four Councils

1.5 GBBN is a key component of the transport strategy for the sub-region. It is equally important for each Council with the ten corridors providing vitally improved accessibility in each of the Councils' areas.

1.6 Jointly promoting the scheme has required us to work together effectively in planning and developing the scheme - building upon the successful joint-working that enabled

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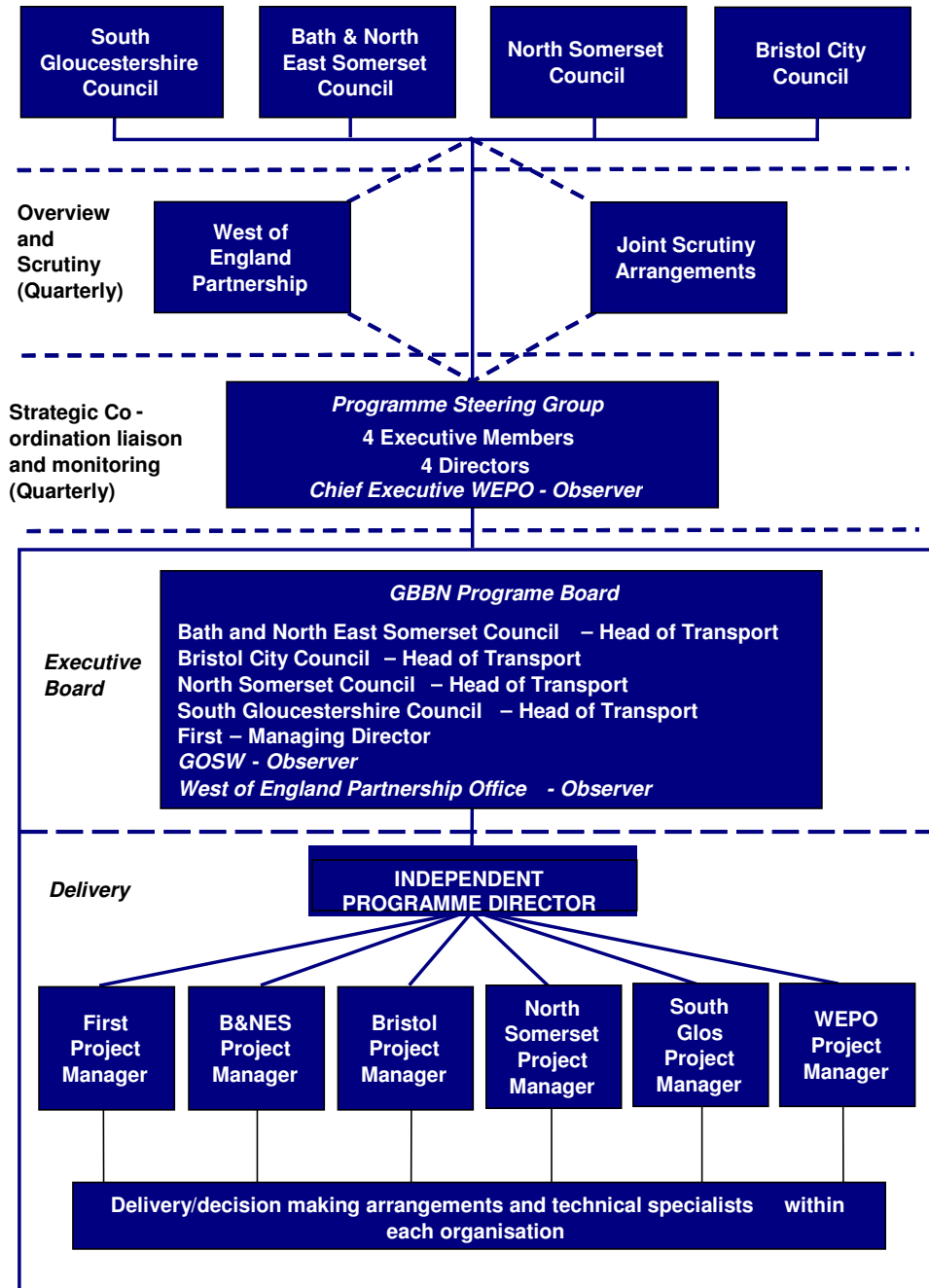
us to submit our Joint Local Transport Plan (JLTP) - and develop robust governance and management arrangements for the scheme delivery and operation stage.

- 1.7 We have had to resolve a much greater number of complex governance and management issues than major scheme bids with a single promoter. Our success in achieving this demonstrates the commitment from each Council to effective joint-working and the significance of the GBBN scheme to the sub-region. The governance structure is shown in Figure 1.1 and is described in detail in Chapter 4 of this document. The structure has been in place since August 2006 and has been formally approved by all four Councils to manage and direct not only GBBN but also the wider JLTP Major Schemes Programme.
- 1.8 We believe that our approach provides a model for the delivery of major cross-boundary transport schemes by local authorities in England and, importantly from the perspective of the Greater Bristol area, demonstrates how future schemes identified as Regional Priorities and demand management proposals (being explored through the Transport Innovation Fund (TIF)) can be delivered.

GBBN is a Network-Wide Major Scheme

- 1.9 The GBBN is not focused on a single section of network or corridor. It will bring benefits to the entire Greater Bristol sub-region and is the first key stage of a longer-term strategy to substantially reduce congestion and increase public transport use. It focuses on ten key high-volume movement corridors where bus improvements can deliver the greatest benefits and make a difference to travel behaviour and network efficiency.
- 1.10 The majority of Major Schemes submitted to the DfT comprise single, usually large, infrastructure projects with costs substantially higher than the £5 million threshold for LTP Major Scheme items.
- 1.11 The GBBN is different. Its infrastructure comprises a large number of relatively low risk minor works coupled with a few major works (which are beneath the £5 million threshold) and network-wide measures such as RTPI.
- 1.12 Combined, the infrastructure projects will cost the public sector £44 million to implement. Private sector contributions will increase the total cost of the GBBN Major Scheme to £70 million.
- 1.13 In developing the case for Full Approval we have discussed the implications of the unique nature of the GBBN with the DfT given that the scheme does not neatly fit with all aspects of the DfT's guidance to promoters on achieving Full Approval for Major Scheme Bids.

Figure 1.1 – Governance Arrangements for the GBBN



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- 1.14 Specifically, as discussed further in Chapter 4, the DfT has recognised that it is not feasible or desirable at this stage of the process to have firm tender prices for each of the minor works or to have concluded all statutory processes¹.
- 1.15 However, the DfT has asked for mechanisms to provide assurance that upon granting of funding the Councils will deliver the scheme and continue to operate the scheme as specified.

GBBN is a Model for Partnership Working with Bus Operators

- 1.16 This bid recognises the vital role that bus services must play as the backbone of cost-effective urban public transport systems. The delivery of bus network enhancements in the sub-region can only be achieved in partnership with bus operators.
- 1.17 As set out in our Programme Entry bid we have developed this scheme in close co-operation with First, the area's major bus operator.
- 1.18 First is a major contributor to the scheme in the form of investment in new bus vehicles and its commitment to frequency and service enhancements. First is represented on the Programme Board which is overseeing the planning and delivery of the GBBN. First's continued strong commitment to the scheme is demonstrated by their active role in developing the bid with the Councils and confirmed by the memorandum of understanding between the Councils and First included with this submission (in Chapter 4).
- 1.19 We will formalise the partnership using the mechanisms provided by Government through the Transport Act 2000 to establish a Statutory Quality Bus Partnership scheme specifically for the GBBN. The statutory scheme would also be supported by complementary agreements addressing issues that are outside its scope.
- 1.20 While the UK's first statutory partnership scheme was very recently introduced in Sheffield, the GBBN will be taking this to a new level by developing a set of statutory partnership schemes that cover the entire GBBN and, critically, using the statutory powers to guarantee the value of the Major Scheme investment.

THE FULL APPROVAL SUBMISSION

- 1.21 The DfT's guidance to promoters sets out three stages to achieve funding approval for Major Schemes, as shown in Figure 1.2.
- 1.22 The July 2005 Programme Entry submission set out a strong Major Scheme Business Case (MSBC) backed up by evidence of the substantial work that had been undertaken in the planning and design of the scheme.

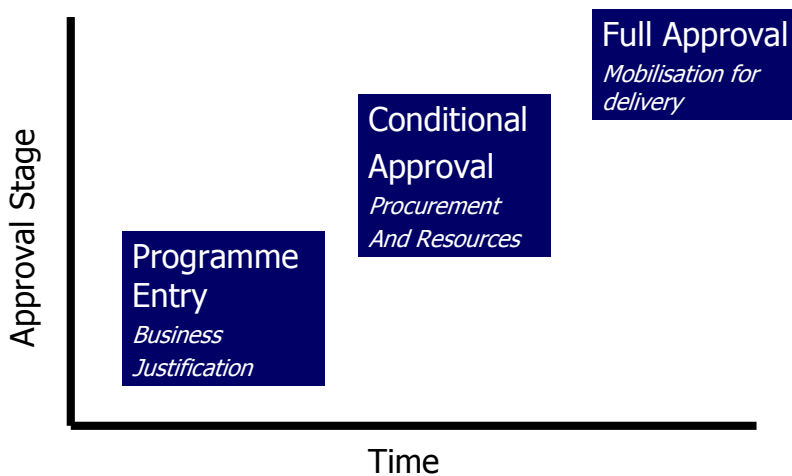
¹ Letter from Martin Wells DfT Regional and Local Major Projects to Peter Blake, 8th December 2006

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1.23 As already discussed and agreed with the DfT we are seeking to obtain Full Approval without passing through the interim Conditional Approval stage. This is for a number of reasons:

- ◆ We already have firm governance and management processes in place to rapidly move to the delivery phase. The advanced planning and design of the scheme coupled with a more limited requirement for firm tender prices and statutory approval given the procurement processes and the nature of the scheme (relative to a typical LTP Major Scheme as noted above) means that there is no benefit in having an additional conditional approval stage.
- ◆ In the Programme Entry bid we proposed an implementation start date of April 2006. In line with the South West's Regional Funding Allocation (RFA) prioritisation it is critical that implementation commences in 2007/08. It is also important from a construction phasing viewpoint that implementation commences this year.

Figure 1.2 – Key Stages of the Major Scheme Approvals Process



DEVELOPING THE FULL APPROVAL BID

Additional Information Required for Full Approval

- 1.24 This document sets out the additional information over and above that included in the July 2005 Programme Entry submission that the DfT requires to make a decision on granting Full Approval.
- 1.25 We have very carefully followed the DfT's guidance to promoters in preparing our submission and have also sought and acted upon additional guidance and clarification from the DfT's Regional and Local Major Projects team.

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- 1.26 In summary, the Full Approval bid provides the following additional information to our Programme Entry submission:
- ◆ It confirms that there is **no increase in the funding sought** by the Councils for the GBBN, evidenced by risk and cost reviews;
 - ◆ It defines how we have cemented the **governance and legal arrangements** to deliver and operate the scheme, set in the context of how further higher-level enhancements to joint-working arrangements across the four Councils have been put in place since the 2005 submission. This also includes arrangements with the Highways Agency with respect to those parts of the GBBN on the M32 which is part of the motorway network;
 - ◆ It presents the PRINCE2 compliant **delivery management processes** that we have set up to implement the scheme;
 - ◆ It defines the detailed **procurement and resourcing strategy** that has been developed and, in parts, initiated to ensure that value for money is achieved, costs are controlled, resources are available and delivery risks are minimised;
 - ◆ It provides details of the **partnership agreements** – both statutory and non-statutory – by which the Councils and the bus operator will ensure delivery and operation of the scheme; and
 - ◆ It provides greater detail on the **benefits realisation and communications strategy**.
- 1.27 Given the nature of GBBN infrastructure DfT will require a means of ensuring that the infrastructure remains in place and is adequately maintained. It has been agreed with DfT that this is likely to be through conditions attached to the Major Scheme grant agreement.
- 1.28 It is also recognised that the legal agreements and partnership agreements that underpin the GBBN governance and delivery arrangements will require close inspection by DfT. As such these documents have been submitted as draft and we anticipate that the agreements will be finalised in consultation with DfT post submission.

Changes from the Programme Entry Bid

- 1.29 Our submission also recognises that certain contexts and issues related to scheme design have moved on since we submitted our Programme Entry bid in 2005. We have therefore refined the scheme, where appropriate, as part of an ongoing process of minimising risks to delivery and maximising the achievement of the scheme's benefits.
- 1.30 In summary these changes comprise:
- ◆ The **strategic fit and significance of the GBBN** scheme has been significantly enhanced since 2005. The scheme has been identified as a priority in the South West through the RFA process and its case further strengthened by the Regional Spatial Strategy (RSS) and the publication of the Government funded Greater

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Bristol Strategic Transport Study (GBSTS). The case is also further enhanced by the Councils' progression of other Major Schemes (including the Bath Package already submitted to the DfT) and a potential TIF Package designed to build upon the GBBN enhancements;

- ◆ **Minor refinements to the scheme cost and specification** to maximise value for money and deliverability. These refinements have been made as part of a rigorous review of the schemes elements and costs and comprise:
 - A value management exercise that has scrutinised each of the scheme's infrastructure components to ensure that they add to the overall benefits of the scheme;
 - A detailed cost review of all scheme elements including not just the physical bus priority infrastructure but also bus stops, RTP1 and marketing;
 - A further review in conjunction with First of all service and frequency enhancement assumptions;
 - An updated Quantified Risk Assessment (QRA) taking on board changes to scheme specification and risk; and
 - Overlaying the whole review process an ongoing risk identification and management process that ensured that where additional risks were identified actions were taken to refine elements such that design, cost and delivery risks have been mitigated. A key example here has been the M32 element of the GBBN where, as a consequence of our risk management processes, we have undertaken detailed topographical surveys to verify our design and cost assumptions.

It is emphasised that the scheme has been refined rather than changed. All the major elements of bus priority measures in ten corridors supported by new vehicles, bus stop infrastructure and RTP1 remain the same. The outcome of the review and refinement has been to verify scheme designs, costs and deliverability; and

- ◆ **An update of the business case** that takes into account the minor changes to the scheme specification, revised scheme costs and relevant changes made by the DfT in modelling and appraisal guidance. As per the DfT's guidance it also uses a new optimism bias factor appropriate to the Full Approval stage of scheme development. Our Full Approval bid demonstrates that the case for the GBBN scheme remains very strong with a benefit-cost ratio (BCR) that meets the DfT's criteria for high value for money schemes.

Gateway Review

- 1.31 We have fully embraced the roll out of the Office of Government Commerce (OGC) Gateway Review process. While it is a requirement to demonstrate to the DfT that an appropriate Gateway Stage review has been carried out as part of the Major Scheme approval process we also recognise the wider benefit that going through the review process has brought.
- 1.32 Table 1.1 summarises the Gateway Review requirements for Major Schemes.

Table 1.1 - Gateway Review Requirements for Major Schemes

Approval Stage	Gateway Stage
Programme Entry	Gateway 1 <i>Business Justification</i>
Conditional Approval	Gateway 2 <i>Procurement</i>
Full Approval	Gateway 3 <i>Investment Decision</i>

- 1.33 Two Gateway Reviews have been undertaken. The first review (Gateway 1) was undertaken in October 2005 – after the Programme Entry bid had been submitted - and the second review (Gateway 2 and 3 combined) in December 2006 during our preparation for Full Approval submission.
- 1.34 The first Gateway Review (Business Justification) provided confidence that the business case was sound and the project management was appropriate for the stage of scheme development. The review did, however, provide the following areas considered important in moving forward with the scheme:
- ◆ Formalisation of Governance and Project/Programme Management;
 - ◆ Assessment of inflation assumptions, in particular impact of construction inflation that is currently running higher than the Retail Price Index;
 - ◆ Detailed assessment of each corridor for deliverability risks; and
 - ◆ Development of full Procurement Strategy.
- 1.35 All these recommendations have been fully addressed in preparing our Full Approval submission.
- 1.36 The second Gateway Review, undertaken in December 2006, again provided endorsement of the planning and business case development work undertaken for GBBN.
- 1.37 The review raised a number of red flag items which have since been addressed. The required evidence that these have been addressed is presented in this submission as a statement from the Section 151 officer representing the four Councils under the terms of the GBBN governance arrangements in included Appendix 1A.
- 1.38 It is noted that one of the red flag items identified related to the need to work closely with DfT to ensure that a clear timescale for submission and approval of GBBN can be agreed. The Review also identified the need for formal consultation with DfT surrounding the contractual agreements and assurance mechanism for the GBBN scheme.

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1.39 Since the Inception Meeting with DfT in September 2006 (after granting of Programme Entry status) there has been significant dialogue between DfT, the Government Office for the South West (GOSW) and members of the GBBN Programme Board. Since the Gateway Review the level of dialogue has increased in line with the level of progress on developing this Full Approval bid. In the six months between the Inception meeting and submission of the Full Approval bid the interactions have included:

- ◆ Inception Meeting September 2006;
- ◆ Meeting with Performance Management Division November 2006;
- ◆ Telephone meeting with Martin Wells November 2006;
- ◆ Meeting with Andrew Seedhouse (GOSW) on Quality Bus Schemes November 2006;
- ◆ Progress Meeting with DfT Major Projects Team December 2006;
- ◆ Meeting with DfT Buses and Taxis Division December 2006;
- ◆ Submission of Draft Quality Bus Scheme Agreement and Draft Contractual Agreement between the four Councils to DfT for review and comment;
- ◆ Liaison with DfT, Economics of Regional and Local Transport, to confirm the reappraisal requirements for this Full Approval MSBC;
- ◆ Progress meeting with DfT February 2007;
- ◆ Meeting with DfT Performance Management Division March 2007.

1.40 These formal exchanges have been complemented by ongoing dialogue with GOSW and DfT regional engager. Additionally, GOSW are a full member of the GBBN Programme Board to ensure they are fully aware of progress.

DOCUMENT STRUCTURE

1.41 The remainder of this document presents the case for Full Approval according to the structure requested by the DfT, as follows:

- ◆ Chapter 2 refreshes the **Strategic** case for the scheme describing the scheme itself and how the strategic fit of the GBBN has been strengthened by a higher level strategy and policy since the Programme Entry bid;
- ◆ Chapter 3 presents the updated **Appraisal and Value for Money** using the slightly revised scheme specification and costs, applying new appraisal guidance and using revised optimism bias factors consistent with the stage of the approval process;
- ◆ Chapter 4 sets out the **Delivery** mechanisms covering Governance, Legal Agreements, Programme Management, Partnership agreements and the Evaluation plan;
- ◆ Chapter 5 presents the **Financial** information covering scheme costs, payment milestones and funding sources; and



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- ◆ Chapter 6 presents the **Commercial** information focusing on the Procurement Strategy for GBBN delivery including defining the procurement mechanisms already in place.

1.42 A range of supporting information is provided as Appendices.

Compliance with Key Criteria

1.43 In its guidance to promoters of Major Schemes the DfT identifies a set of key criteria that it expects to see addressed in progressing from Programme Entry status through Conditional to Full Approval. To conclude this introductory chapter we set out below a summary of how and where in the document each of these key criteria are addressed.

Table 1.4 – Key Requirements to Satisfy Conditional and Full Approval

Major Scheme Guidance Criteria	GBBN Full Approval Bid	Reference in Submission Document
<p>Conditional Approval</p> <ul style="list-style-type: none"> ◆ The necessary powers have been obtained 	<ul style="list-style-type: none"> ◆ Minor land requirements not considered to be sufficiently significant to delay Full Approval process and would need to be progressed as part of scheme implementation ◆ No other Statutory Powers other than Traffic Regulation Orders (TROs) 	<ul style="list-style-type: none"> ◆ Chapter 6 (para. 6.85 onwards)
<ul style="list-style-type: none"> ◆ The scheme can be afforded on current cost estimates 	<ul style="list-style-type: none"> ◆ Robust Value Management and Cost Review has confirmed scheme costs ◆ Extensive work on M32 Corridor has confirmed scheme costs and delivery mechanism ◆ Procurement already in place for majority of the scheme ◆ Capacity of contractors confirmed 	<ul style="list-style-type: none"> ◆ Chapter 3 (para. 3.9 onwards) and Appendix 3C ◆ Chapter 4 (para. 4.60 onwards) ◆ Chapter 6 ◆ Chapter 6 (paras. 6.54, 6.61 - 6.65)
<ul style="list-style-type: none"> ◆ The updated scheme appraisal remains sound, in line with the requirements set out in Annex B 	<ul style="list-style-type: none"> ◆ Appraisal meets DfT guidance and scheme is classed as good value for money ◆ Scheme costs and benefits are broadly the same as at 	<ul style="list-style-type: none"> ◆ Chapter 3 ◆ Chapter 3

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Major Scheme Guidance Criteria	GBBN Full Approval Bid	Reference in Submission Document
<ul style="list-style-type: none"> ◆ The promoter has conducted adequate supplier assessment and market intelligence and has a robust procurement strategy in place ◆ The scheme remains deliverable by the Council to time and budget ◆ The arrangements for evaluation and monitoring are satisfactory 	<p>Programme Entry</p> <ul style="list-style-type: none"> ◆ Procurement and Resource planning has demonstrated robust assessment and capacity of contractors to deliver ◆ Sound project management practices have been put in place ◆ Risk management processes have ensured that time and budget risks have been identified and mitigated ◆ Evaluation Plan has been prepared. 	<ul style="list-style-type: none"> ◆ Chapter 6 (see paras. 6.42 – 6.66) ◆ Chapter 4 (paras. 4.14 – 4.38 and 4.63 – 4.134) ◆ Chapter 4 (paras. 4.135 – 4.150) ◆ Chapter 4 (para. 4.164 onwards)
<p>Full Approval</p> <ul style="list-style-type: none"> ◆ That the costs of the scheme are reasonably secured and that the Council has taken adequate steps to protect itself from the risk of increased costs ◆ That the balance of risks and liabilities is satisfactory, is clearly understood and offers adequate ◆ Protection for the public sector against potential increases in costs ◆ That adequate 	<ul style="list-style-type: none"> ◆ Value Management and Cost Review ◆ Revised inflation assumptions ◆ Use existing and new joint procurement to increase value for money ◆ Cabinet reports approving submission of Full Approval MSBC identified financial risks ◆ Inflation assumptions revised, joint procurement, Value Management and Cost Review ◆ Governance, Programme 	<ul style="list-style-type: none"> ◆ Chapter 3 (para. 3.9 onwards) and Appendix 3C ◆ Chapter 3 (para.3.14 onwards) ◆ Chapter 6 ◆ Chapter 3 and Chapter 6 ◆ Chapter 4

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Major Scheme Guidance Criteria	GBBN Full Approval Bid	Reference in Submission Document
<p>contract management arrangements are in place to ensure delivery to timetable</p> <ul style="list-style-type: none"> ◆ Budget, including the necessary resource for contract management within the Council. 	<p>Handbook, Legal Agreements and Quality Bus Scheme Agreements all in place</p> <ul style="list-style-type: none"> ◆ Sufficient provision has been made for contract management of GBBN both within the four Councils and for the Independent Programme Director 	<ul style="list-style-type: none"> ◆ Chapter 4