Evaluation by the Capital Investment Fund Panel

In reaching its conclusions, the Panel made the following points:

- The scheme's timescales reflect the ambition to complete the scheme before the anticipated peak in construction traffic caused by HS2 in Spring 2020. This means that workstreams to complete the detailed design, planning application, procurement and funding are being developed in parallel. This has resulted in this bid coming forward to CIF ahead of the related bids to DfT and WMCA, whose business cases are still being completed.
- The current Benefit to Cost ratio (BCR) calculated by the external consultant is 11.12, an extremely high value. However, the consultant's report itself identifies some moderately concerning problems with the analysis, such as the use of slightly outdated inflation indices, the absence of revenue maintenance costs and the presumption that benefits predicted for the timeframe of 2029-2034 will to be felt at the same level through to 2058.
- Furthermore, the bid quotes positive outcomes of a separate model estimating the scheme's impact on future travel times and speed, but there appears to have been no connection made between the two models to test consistency of data, assumptions, modelling or outcomes. The bid also notes that the baseline data and assumptions used to determine the scheme's benefits are currently being refined for the DfT and WMCA business cases.
- The Panel also recognises that BCR estimates for road schemes are inherently challenging as they are typically founded on predictions of a wide range of future choices to be made by individuals, communities, organisations and businesses that the Council can have little direct influence over, and which may combine to create completely unforeseen responses.
- The Panel therefore considers that the work done to estimate the BCR is not fully adequate at this point and that there is a real risk that the BCR in the bid is overstated. However, the Panel also accepts that the high current value provides a significant 'buffer' against which even relatively large adjustments might be made without affecting the overall positive status of the project.
- Ideally the Panel would ask that the bid to WCC for funding be delayed until a better evidenced and tested estimate of the BCR was available, but the pressing nature of the necessary timescale makes this unworkable. In particular the bid makes clear the need to incur some capital expenditure in 2018/19 (estimated at £2.000m) before the DfT and WMCA funding can be confirmed in autumn 2018. Should Members decide therefore to allocate funding at this point in time, they should recognise that the Council would be carrying the risk that the full funding package is not approved. In that circumstance, the Council could either choose to make up the missing funding

itself to allow the scheme to continue, which would have a significant impact on the Council's other spending ambitions, seek alternative funding or abort the scheme. In the latter case, it is likely that the majority of costs incurred to date would have to be reclassified to revenue in the year that the scheme was cancelled. Members are therefore asked to agree that this revenue budget risk be carried by the Transport and Highways Business Unit.

- In connection to the funding package, the Panel noted that there was no discussion of possible contributions from other local organisations that would benefit from the scheme, such as Coventry City Council or Warwick University. It is assumed that these routes have been explored; Members may need to consider whether the balance in the proposed cost falling entirely upon WCC, DfT and WMCA feels reasonable.
- Another area of concern relates to the remaining uncertainties in the cost envelope, particularly in relation to land purchases which may need to adopt CPO routes. The bid mentions an inclusion of 10 – 15% contingency in the budget, although only 5% is clearly visible in the detailed budget breakdown. The Panel had concerns that in either case this may not be an adequate provision, though it also acknowledges that the scheme has already benefited from a relatively high degree of cost scrutiny which should have mitigated this risk to some degree.
- To counterbalance this, the Panel felt that the project had the support of strong governance mechanisms. It felt that the risk register supplied in the bid papers was robust and complete and appeared to be an active document. The bid sits clearly within both Warwickshire's and other local, regional and national road strategies and as such represents a high priority scheme to many parties.
- The Panel also appreciated the degree of public engagement and consultation already completed, and the ongoing plans for this as the scheme progresses. The bid recognises that the works will have serious temporary impact on traffic flow through the junction and nearby roads. The bid is supported by a number of letters from relevant parties, and the scheme has already been redesigned to reflect the major concern raised by public consultation in relation to cycling and pedestrian provision.