Local Transport Board 18 October 2018 **Paper D**

Growth Deal Transport Programme – Costs and Outputs

Recommendation
It is recommended that:-
(i) The report be noted
(ii) A further report be presented when data for the end of financial year 2018/19 is available

Introduction

The Board receives an update at each meeting of progress being made with each of the transport projects in the Growth Deal programme. However this is limited to reporting about the status of each project, and does not include information about the impact of the schemes.

While each project has an agreed Monitoring and Evaluation plan, these plans require reports to be produced one year and five years after project completion. Hence it will be some time before a detailed assessment is available on the effectiveness of most of the schemes.

However, the LEP is required to report quarterly to Government on the overall Growth Deal programme, and hence summary information is collected regularly from all projects. This report aims to draw on that limited data to give an early insight into the overall transport programme. It will cover two aspects:-

- Changes in project costs and impact on value for money assessments
- Delivery of Growth Deal outputs

Changes in Project Costs

At the time when bids are submitted for funding programmes projects are normally at an early stage of development, with a clear concept but without detailed engineering proposals. It is not surprising, therefore, that project costs change over time – generally increasing as more detail becomes available about specific site constraints and requirements.

In order to safeguard against this causing instability in programmes and decision making there is a standard process of making provision for likely cost increases through the application of "optimism bias" factors. These are specified by the Department for Transport (DfT), and vary depending upon the stage of project development, and the type of project. The standard optimism bias factors were developed by DfT following a review of the cost increases on a range of historic schemes.

The value for money of each project is quantified in a Benefit to Cost (BCR) ratio. Clearly the value for money categorisation could be adversely impacted if there is a significant increase in the cost of a project. The Government expectation, reflected in the LTB assurance framework, is that projects will not be supported through the Local Growth Fund if they do not represent at least "Good"value for money. The threshold for Good value for money is a BCR of 2.

The following tables show the way scheme costs have changed through the various stages of the Growth Deal process.

Table 1 Major Schemes Progress Table

Scheme	Growth Deal Funding (latest)	Total Project Cost			BCR at Programme Entry
		Growth Deal Bid	Programme Entry	Completion/ Latest estimate	
Bridge Road, Exeter	£5.30m	£11.50m	£11.00m	£14.86m	6.97
Yeovil Western Corridor	£6.49m	£11.07m	£11.07m	£14.47m	13.10
Torbay Western Corridor	£8.25m	£12.23m	£12.23m	£17.02m	5.93
Derriford/ William Prance Road, Plymouth	£10.24m	£12.72m	£12.72m	£14.37m	4.97
Marsh Barton station	£4.37m	£4.33m	£4.33m	£11.44m	15.71
A382 widening Newton Abbot	£6.50m	£13.00m Phases 1 & 2	£12.99m Phase 1	£13.00m Phase 1	5.67
Torquay Gateway	£2.49m	£3.83m	£3.85m	£2.90m	9.26
M5 Junction 25, Taunton	£11.65m	£15.90m	£18.02m	£18.22m	10.80
Forder Valley Link Road	£22.56m	£37.24m	£33.43m	£33.43m	6.10
Tiverton Eastern Urban Extension	£1.21m	£15.00m Phases 1 & 2	£15.00m Phases 1 & 2	£4.55m Phase 1	7.15
Houghton Barton Link – Newton Abbot	£2.87m	£7.50m	Not yet at this stage	£7.50m	Not yet available
Toneway, Taunton	£6.41m	£9.78m	£7.96m	£7.96m	7.40
Huntspill Energy Park, Bridgwater	£3.94m	£8.24m	£10.30m	£10.30m	2.33
Plymouth Railway Station	£4.79m	£25.37m	£26.70m	Update awaited	3.52

Table 2 Non-major Schemes Progress Table

Scheme	Growth Deal Funding (latest)	Total Project Cost			BCR at Programme Entry
		Growth Deal Bid	Programme Entry	Completion/ Latest estimate	
Derriford Hospital Transport Interchange	£1.31m	£2.00m	£2.24m	£2.15m	4.03
A39 Heywood Road junction, Bideford	£0.07m	£2.00m	£1.17m	£0.22m Phase 1	16.65
Plymouth Northern Corridor junctions	£2.10m	£3.00m	£3.18m	£3.74m	11.26
Huntworth roundabout, Bridgwater	£1.90m	£2.90m	£2.91m	£4.63m	8.29
Taunton Railway Station	£4.60m	£8.80m	£8.97m	£13.79m	3.10
A361 Portmore, Barnstaple	£0.76m	£2.90m	£1.58m	£1.52m	16.30
Torquay town centre access	£0.49m	£0.60m	£0.50m	£0.42m	2.35
A38 Deep Lane junction, Sherford	£2.00m	£3.00m	£3.10m	£3.08m	7.63
A379 Newcourt junction, Exeter	£0.83m	£2.50m	£2.68	£2.20m	4.19
Roundswell Phase 2 access, Barnstaple	£1.64m	£2.60m	£2.86	£2.34m	4.68
Plymouth Eastern Corridor Cycle Network	£3.42m	£4.91m	£4.91m	£4.91m	5.34
Plymouth Charles Cross and Exeter St	£2.10m	£3.00m	£4.82m	£4.82m	3.74

Conclusions on Cost Changes

It can be seen that there have been some significant changes in total project cost, mostly increases.
As a consequence there have been some amendments in project scope.

In general, there has been a higher tendency for cost increases in the major schemes. This suggests that the levels of optimism bias applied at the initial stage of project definition were not sufficiently high.

One project, Taunton station, was included as a non-major project but it is now clear that it should have been categorised as a major project, and a report for Final Approval will be brought back to the LTB.

In general the value for categorisations will not have been changed by the cost increases and consequent amendments to the BCR. Most projects were, and remain, in the Very High value for money category.

Progress in achieving Growth Deal Outputs

The Growth Deal agreements between Government and LEPs involve the LEPs committing to achieving outputs in return for securing the funding. The output metrics were primarily economic, specified in terms such as jobs created or safeguarded; houses constructed; training places created; employment floor-space, etc.

For each project there is a schedule of outputs, and annual profile. The achievement of these outputs is monitored by the LEP on a quarterly basis, and the aggregate information is shared with Government on a Growth Deal dashboard.

Provision of Information about the performance of each project, in terms of outputs, is a requirement specified in the Benefits Realisation, Monitoring and Evaluation Plan which forms a component of each funding agreement. Current data, as shown in the LEP return to government for the end of financial year 2017/18, in relation to housing and employment outputs is given in the table below.

Table 3 Project Outputs (Growth Deal 1 and 2 projects)

Project	Outputs by 2021	Outputs by 31/3/18 Target	Outputs by 31/3/18 actual	Above or below target
Yeovil Western Corridor	0 jobs 0 houses 1547 houses by 2025	0 jobs 0 houses	0 jobs 60 houses	- above
Torbay Western Corridor	2000 jobs 1500 houses	211 jobs 402 houses	0 jobs 184 houses	below below
Bridge Road, Exeter	985 jobs 2115 houses	0 jobs 1390 houses	0 jobs 690 houses	- below
Derriford/William Prance Road, Plymouth	2250 jobs 750 houses	0 jobs 0 houses	0 jobs 528 houses	- above
A382 widening Newton Abbot	1000 jobs 1200 houses	0 jobs 100 houses	0 jobs 0 houses	- below
Torquay Gateway	1500 jobs 400 houses	100 jobs 64 houses	0 jobs 40 houses	below below
Huntworth roundabout, Bridgwater	1700 jobs 973 houses	365 jobs 0 houses	0 jobs 0 houses	below -
A361 Portmore, Barnstaple	500 jobs 350 houses	0 jobs 79 houses	0 jobs 116 houses	- above
Derriford Hospital Transport Interchange	360 jobs 120 houses	0 jobs 0 houses	0 jobs 105 houses	- above
Taunton Railway Station	250 jobs 500 houses	36 jobs 215 houses	0 jobs 0 houses (143??)	below below
Torquay town centre access	500 jobs 700 houses	160 jobs 155 houses	0 jobs 14 houses	below below
Roundswell Phase 2 access, Barnstaple	300 jobs 0 houses	0 jobs 0 houses	0 jobs 0 houses	- -
A38 Deep Lane junction, Sherford	220 jobs 700 houses	0 jobs 100 houses	0 jobs 120 houses	- above
A379 Newcourt junction, Exeter	325 jobs 250 houses	0 jobs 0 houses	0 jobs 0 houses	- -
A39 Heywood Road junction, Bideford	500 jobs 900 houses	50 jobs 200 houses	50 jobs 89 houses	- below

Marsh Barton station	400 jobs 810 houses	58 jobs 346 houses	0 jobs 230 houses	below below
Plymouth Northern Corridor junctions	360 jobs 120 houses	0 jobs 0 houses	0 jobs 131 houses	- above
Plymouth Eastern Corridor Cycle Network	240 jobs 224 houses	0 jobs 0 houses	0 jobs 0 houses	- -
Plymouth Charles Cross and Exeter St	400 jobs 220 houses	0 jobs 0 houses	0 jobs 0 houses	- -
M5 Junction 25, Taunton	750 jobs 0 houses 2750 jobs by 2025	0 jobs 0 houses	0 jobs 0 houses	- -
Tiverton Eastern Urban Extension	0 jobs 0 houses 600 jobs by 2025 1000 houses by 2025	0 jobs 0 houses	0 jobs 0 houses	- -
Total		980 jobs 3051houses	50 jobs 1807 houses	

Discussion on Outputs

From the above table it can be seen that there is slow progress to date in delivering the outputs which were agreed with Government as a condition of receiving Growth Deal funding. Of the transport 21 projects in Growth Deals 1 and 2, some 9 have not yet recorded any outputs. For those projects which have delivered some outputs, they are almost entirely housing, with only one project having achieved creation of new jobs so far.

There are a number of reasons for this pattern:-

- Many of the transport schemes have been delivered somewhat later than originally envisaged. Where a transport scheme was required to open up a development site the start of work on the development site would be correspondingly put back. The annual profiles of outputs assumed at the time of submitting Growth Deal bids may have been unduly optimistic.

- In many cases, while a transport project may be required to enable a development to come forward, it may not be the only barrier to be overcome i.e. removing the access constraint could be necessary, but not sufficient, for development to start. In some settlements, such as Exeter, significant house building is taking place, but mainly in locations such as Monkerton and Cranbrook which have been supported by previous investment in enabling infrastructure. There is a limit to the number of house sales which can be achieved in any period, and hence the development areas supported by the current Growth Deal programme are likely to come forward, but after the existing developments have been built out.

- Development may in fact be occurring, but has not yet been captured. The assembly of data on outputs is not straightforward. In the case of housing, data on housing starts and completions is undertaken by the local planning authority (which may not be the promoting authority for the project), usually on an annual basis. Data on employment may be even more difficult to obtain, and may require contact with individual employers once premises have been occupied.

While the LEP is required to submit data to Government on a quarterly basis it is not logical to report so frequently on the outputs of the transport projects, and annual monitoring is included in the Benefits Realisation, Monitoring and Evaluation framework for each project. It is therefore proposed that a further report on outputs be brought to the LTB once there are completed returns for 2018/19.