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Huntingdonshire / South Cambridgeshire Local Representatives Group

Meeting 3

26 September 2022

01. Today's agenda

Today's agenda

01.

Welcome and today's agenda

02.

Housekeeping and production of meeting notes

03.

Review of actions from previous meeting and future deep dive topics

04.

Deep dive topic – the Business Case process

05.

AOB and Closing remarks

02.

Housekeeping and production of meeting notes

Housekeeping

Thank you for joining

This is a virtual meeting.

Please display your full name as when you registered to attend – this can be done through the 'Participants' section.

To help everyone feel part of the discussion, please feel free to turn your camera on during the meeting if you can.

Please use the 'Raise Hand' function to raise a question during the meeting, found in the bottom ribbon (under the 'Reactions' option).

During the break, please do not leave the Zoom meeting as you may not be able to re-join – please turn your camera off instead.



Display your full name in username



Please use the mute function



Use the 'Raise Hand' function if you want to raise a point during the meeting



Please do put your camera on if possible

03.

**Review of actions from previous
meetings and future deep dive topics**

Completed actions

Meeting	No.	Action	Owner	Status
#2	1	To put forward suggestions on what other details the Group would like to see in future sessions on accessibility and inclusion	The Group	Completed – to be discussed during meeting #3
#2	2	To confirm whether EWR Co is talking the Greater Cambridge Partnership	EWR Co	Completed – to be discussed during meeting #3

Topics for future discussion

Meeting #4 – (a) Environmental Assessment and (b) Traction Strategy

Discussion: Other topics for future meetings

Agreed frequency: Quarterly meeting

Outcomes:

Actions:

04. Deep dive topic – the Business Case process

Chris Milne, Head of Analysis

What is a Business Case?

A Business Case is the process in which a full assessment is carried out of the costs and benefits associated with undertaking a project, programme or portfolio. It evaluates a range of options and provides a recommendation for a preferred solution. This is a government process which takes into account a wider range of factors than would necessarily be the case with a private sector investment, which by nature is more focused upon return on investment (ROI).

A well prepared Business Case:

- Enables the organisation and its key stakeholders to **understand, influence and shape the project's scope** and direction early on in the planning process.
- Assists decision makers to **understand the key issues**, the available evidence base and **avoid committing resources to schemes that should not proceed**.
- Demonstrates to senior management, stakeholders, customers and decision makers the continuing **viability of the project** and allows improvements to be made that **maximise value for money for the taxpayer**.
- Provides the basis for **management, monitoring and evaluation** during and after implementation.

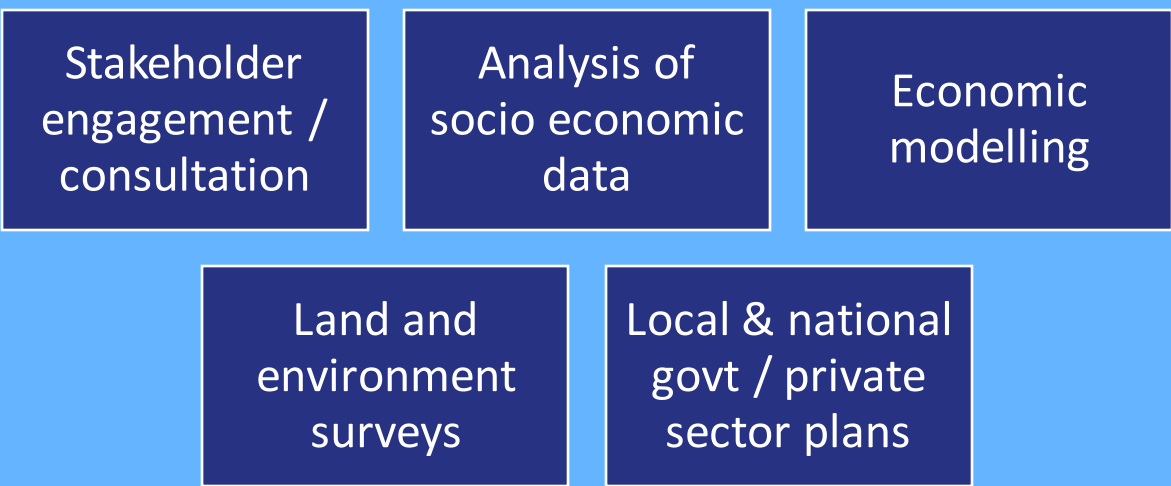
How we develop the Business Case

An iterative process





As is typical for large scale infrastructure projects, the development of the Business Case is an iterative process encompassing a number of stages. This is due to:

- The complexity
- The time taken to develop
- Spanning multiple spending periods
- Accounting for emerging evidence
- Societal, economic and technological trends

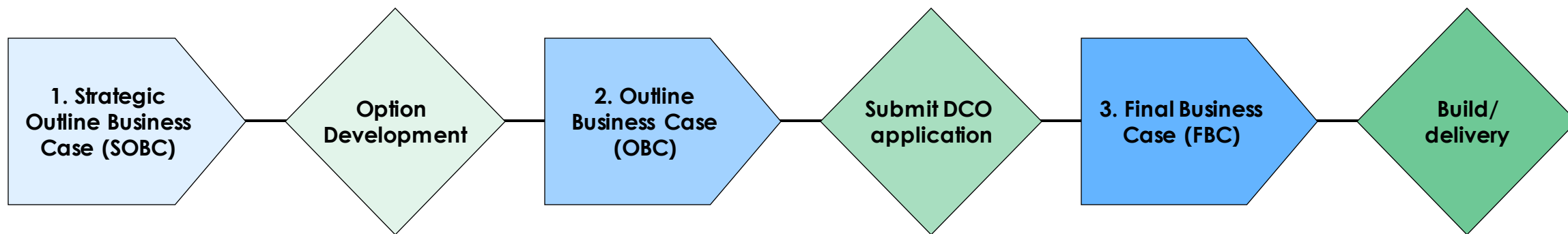
We gather the evidence required through:



We have to adhere to a range of guidance

Guidance document	What the guidance covers
 <p>HMT Green Book</p>	The Green Book provides overarching guidance for all government economic appraisal and evaluation of government policies and investments.
 <p>Transport Analysis Guidance</p>	TAG is DfT's own suite of guidance specifically covering issues related to transport appraisal.
 <p>HMT Guide to Developing the Project Business Case</p>	To supplement the Green Book and provide more specific general guidance on Business Cases.
 <p>Magenta Book</p>	The Magenta Book provides guidance on evaluation of government projects, programmes and policies.

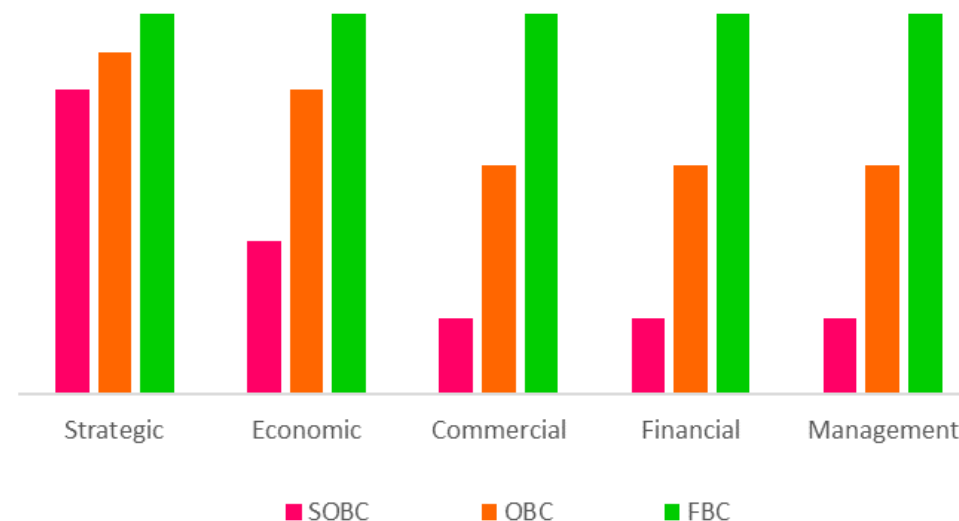
What are the 3 stages of a Business Case?



HM Treasury Five Case Model – different level of detail expected for each case at different stages:

- **SOBC** - is it a good strategic fit?
- **OBC** - how well does it meet objectives?
- **FBC** - can we deliver it?

The Business Case evolves over time to consider a broader range of factors.



Strategic Case

What is the case for change?

What is the strategic fit with organisational and governmental objectives?

- **Makes the case for change** and demonstrates how it provides **strategic fit**.
- Demonstrates that the scheme provides **synergy and holistic fit** with other projects and programmes within the strategic portfolio.
- Provides evidence of an up-to-date organisational business strategy that references all relevant **local, regional and national policies** and **targets**.
- Demonstrates a clear understanding of the **rationale, drivers** and **objectives** for the spending proposal, which must be made SMART
 - Specific, Measurable, Achievable, Relevant and Time constrained – for the purposes of post-evaluation.
- Outlines potential **benefits, risks, constraints** and **dependencies** associated with the proposal.



Economic Case

The economic case presents the economic assessment/cost-benefit analysis of the scheme in line with government guidance.

- It assesses options and, where possible and proportionate, it monetises costs and benefits.
- It demonstrates that a wide range of realistic options have been appraised, in terms of how well they meet the spending objectives and critical success factors for the scheme.
- It identifies the proposal that delivers best public value to society, including wider social and environmental effects.
- This informs decision making and is considered alongside other non-monetised and strategic factors.
- The economic case is where we present our economic and transport modelling and other analysis. It brings together the evidence we have, which underpins any assumptions.
- It concludes with a Benefit Cost Ratio (BCR), which provides a single quantitative summary of the economic assessment.



Examples of direct benefits considered in an economic case (Level 1 Benefits)

Level 1 Benefits are captured by the BCR.

Journey Time Benefits	These are the journey time savings generated for new and existing users of a rail network.
User Charge Benefits	These are the benefits users would derive from lower train fares, relative to existing rail travel options.
Carbon Cost	These are the disbenefits associated with carbon production.
Congestion Indirect taxation Accidents Local Air Quality Noise Greenhouse Gases	These are the benefits of a rail scheme, to non-users of the railway, via a reduction in car travel for example.

Examples of indirect benefits considered in an economic case

Benefits derived from there being no change in land use as a result of a transport scheme (Level 2 Benefits – Captured by the BCR)

- **Agglomeration** – close proximity of businesses can lead to benefits such as collaboration, innovation and supply chain improvements.
- **Output change** – The journey time reduction has the potential to reduce input costs for organisations through:
 1. Reducing the amount of time spent on business travel.
 2. Alleviating cost push pressures on wage inflation.
- **Labour supply** – reduced commute times can widen the catchment area for labour

Benefits derived from there being a change in land use as a result of a transport scheme (Level 3 Benefits – Not captured by the BCR)

- **Wider rail network impacts** – A transport scheme may impact other rail lines across the network.
- **Productivity impacts** – The knock-on impacts from a new transport intervention AND a change in land use, on the productivity of workers and organisations.
- **Housing impacts** – There are two classifications:
 1. Dependency – What proportion of a development is considered dependent on the scheme.
 2. Additionality – what would not have occurred in the absence of the intervention.
- **Non-monetised impacts** – Impacts that are hard to monetise, this typically includes things like landscape and biodiversity impacts.
- **Other transport network impacts** – this would typically consider reduction in heavy goods vehicles on roads and the costs associated with maintaining the railway if proposals such as freight are included.

Costs

Capital expenditure

The costs of building the whole scheme.

Operational expenditure

The cost associated with operating services (inc. rolling stock lease costs, fuel costs, station costs, staff costs etc.).

Whole Life Costs

The costs of maintaining and renewing the infrastructure over the life of the asset.

Road Infrastructure

Small reduction in the cost of maintaining and renewing roads due to the modal shift from car use.

Revenue

Additional revenue the scheme is expected to generate for scheme operators (assumed to flow back to DfT through the franchise system).

Commercial Case

Is there a robust strategy for procuring and delivering the scheme?

The purpose of the **commercial** dimension of the Business Case is to demonstrate:

- The preferred option will result in a **viable procurement** and a **well-structured deal** between the public sector and its service providers.
- Understanding of the **market** place, **knowledge of what is realistically achievable by the supply side** and research into the **procurement routes that will deliver best value** to both parties.
- A clear understanding of the **services, outputs** and **milestones** required to be achieved.
- How the potential **risks** in the **Design, Build, Funding and Operational** phases of the scheme can best be allocated between the public and private sectors and reflected in the charging mechanism and contractual arrangements.
- The challenge for the public sector is to **be an 'intelligent customer'** and to anticipate from the outset how best public value can continue to be secured in during the contract phase in the face of inevitable changes to business, organisational and operational requirements.



Financial Case

Is the scheme affordable?

Is there a feasible path to securing funding for the scheme?

The purpose of the financial dimension of the Business Case is to demonstrate:

- The **affordability and funding** of the preferred option, including the support of stakeholders and customers, as required.
- A complete understanding of the **capital, revenue** and **whole life costs** of the scheme.
- How the deal will impact upon the **balance sheet, income and expenditure** and **pricing arrangements** (if any) of the organisation.
- The challenge is to identify and resolve any **potential funding gaps** during the lifespan of the scheme.

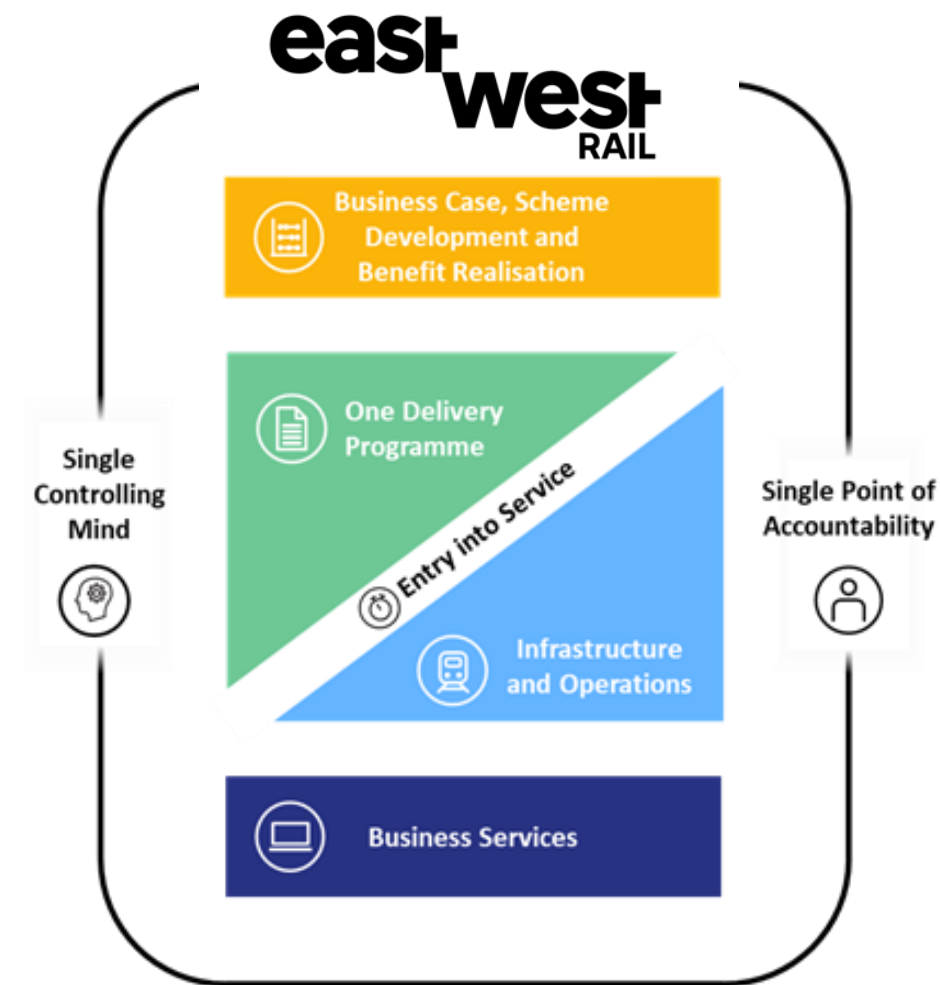
Management Case

Is the scheme deliverable?

How do we intend to monitor and evaluate the scheme after delivery?

The purpose of the **management** dimension of the Business Case is to demonstrate that:

- Robust arrangements are in place for the **delivery, monitoring and evaluation** of the scheme, including feedback into the organisation's strategic planning cycle.
- The preferred option can be **successfully delivered**.
- The scheme is being managed in accordance with **best practice** and subjected to **independent assurance**.
- The necessary arrangements are in place for **change and contract management, benefits realisation and risk management**.



How to influence the Business Case

The Business Case is an evidence-based process.

The information that will support the Business Case is subject to a process of continuous evolution.

We are constantly gathering evidence to improve the quality of the Business Case.

Much of the activity we undertake is used to improve our evidence base, whether it be public consultation, economic modelling, engineering surveys, etc.

We are interested in both qualitative and quantitative evidence. If you wish to contribute to the business case, you can provide evidence by emailing us at: contact@eastwestrail.co.uk



Questions or comments

05. AOB and closing remarks

We're always here

All the Group's relevant documents will be available on its **Community Hub** site.

We will notify you when available.



Got a question?

If you have any questions about the Group, please email:

localrepresentativesgroups@eastwestrail.co.uk

If you have any questions about the project, please email:

contact@eastwestrail.co.uk

Or you can also call us on **0330 134 0067**

Creating meeting notes

