



David Fairbrother  
Treasury Officer of Accounts  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Sent by email

18 January 2023

Dear Mr Fairbrother,

### **Accounting Officer Assessments for major road schemes**

We are a national environmental organisation which campaigns for sustainable transport, with a particular interest in the second and third roads periods (RIS2 and RIS3). We wish to draw your attention to the following concerns with inaccurate and outdated accounting officer assessments (AOA) for all six of the major road schemes in the Government's Major Projects Portfolio (GMPP).

#### **A303 Stonehenge**

The last published AOA for this scheme was dated September 2019<sup>i</sup>, and no new AOA has been published since. Despite the AOA saying it was updated on 6 January 2023, nothing of significance appears to have changed.

The 2019 AOA reported that the scheme will report to the Investment, Portfolio and Delivery Committee (IPDC) "every six months as a minimum". At the time, the former Chief Executive of National Highways, Jim O'Sullivan, said that "If any of these factors change materially during the lifetime of this project, I undertake to prepare a revised departmental minute summarising my assessment of them." The scheme has always represented poor value for money and National Highways' updated and inflated BCR lacks credibility after the Examining Authority (of

five independent planning inspectors) recommended refusal of the scheme because of its significant harmful impact on the World Heritage Site. In addition, UNESCO has stated that proceeding with the scheme unchanged could jeopardise the World Heritage Site status of Stonehenge and the surrounding landscape. Therefore, to continue to claim £1 billion of heritage benefits from the scheme is simply not credible. Without the inclusion of these spurious benefits the business case is poor and the scheme would cost far more to build than it would ever deliver in economic benefits. It is also not credible that construction costs have not increased significantly since that time either.

### **Lower Thames Crossing**

Laura Blake, Chair of the Thames Crossing Action Group, wrote to you in December 2022 alerting you that the AOA for the LTC had not been published despite it having been promised by DfT. You asked DfT to publish this AOA, and it was duly published on 6 January<sup>ii</sup>.

However, the AOA gives the Benefit Cost Ratio (BCR) as 1.46 and appears to be based on information from an old outline business case from 2020. National Highways recently updated the economic appraisal for this scheme, and submitted this as part of its Development Consent Order (DCO) application. The Combined Modelling and Appraisal Report (ComMA)<sup>iii</sup> for the scheme, dated October 2022, gives the initial BCR as 0.48 and the adjusted BCR as 1.22. This is considerably lower than the BCR used in the December 2022 AOA and the question has to be asked, why was this new BCR not used in the latest AOA? It was within time to have informed the AOA and if not would have been known about beforehand internally and so should have been presented in the AOA published this month.

It is not unreasonable to conclude that National Highways have intentionally misled ministers about the value for money of this scheme. There is also a lack of transparency with the project costs. The ComMA gives the outturn cost as £8.8 billion, expressed in 2019 Q1 real terms prices (Table 7.14). As construction inflation has been running at around 17% due to materials shortages and high energy costs, plus carbon reduction mitigation and additional land purchases, it is highly likely the outturn cost will be considerably higher than this 2019 estimate.

### **A428 Black Cat to Caxton Gibbet**

We were concerned to see that the AOA for this scheme also presented an outdated and inflated BCR to ministers. We wrote to the transport secretary, Mark Harper, about this on 6 December 2022<sup>iv</sup>, but he has replied to say he will not respond as we are currently seeking judicial review of the DCO approval. The AOA was signed in August 2022<sup>v</sup>, using the original BCR of 1.9 that was presented to the Examination<sup>vi</sup> in February 2021. However, the BCR was updated later on in the Examination, in January 2022<sup>vii</sup>, with the initial BCR now being 0.92 and the adjusted BCR as only 1.52, a 20 per cent reduction. This updated BCR was available some seven months before the AOA was produced and again, we can only conclude that National Highways has knowingly misled ministers about the costs and benefits of this scheme by using outdated figures.

## **A66 Northern Trans-Pennine**

The DCO application is currently being examined, however an AOA was produced in October 2022<sup>viii</sup> giving the adjusted BCR as just 0.90, meaning it would cost more to build than it would ever deliver in benefits. The adjusted BCR already includes journey time reliability and wider economic impacts. With an adjusted BCR of just 0.90, the scheme is classed as 'Poor' value for money according to the DfT's value for money framework, and should not be progressed. The ComMA report<sup>ix</sup> submitted to the A66 DCO examination included sensitivity testing which showed that if the scheme costs increased to their maximum level, the adjusted BCR reduces to just 0.65 (Table 7-12), and in the low growth scenario the adjusted BCR dropped to just 0.78 (Table 7-9). As far as we are aware, the appraisal for the scheme has not been updated in light of the new National Road Traffic Projections (N RTP) which forecasts reduced traffic growth from the previous 2018 Road Traffic Forecasts. As the scheme represents such poor value for money, it is important that analysis of the scheme is up to date, of high quality and does not artificially inflate the BCR.

## **A12 Chelmsford to A120**

The AOA for this scheme was published in September 2022<sup>x</sup> and reports the BCR as 1.9, yet the ComMA<sup>xi</sup>, dated August 2022, reported the adjusted BCR as 1.7. Once again there is a discrepancy between the BCRs, with ministers being supplied with inflated and out of date figures.

## **A417 Missing Link**

Although the BCRs in the AOA<sup>xii</sup> (signed April 2022) and the ComMA<sup>xiii</sup> (dated May 2021) are the same at 2.51, the AOA was based on the Outline Business Case. The DCO was approved seven months later by the Secretary of State when presumably a Full Business Case would have been produced. Yet the AOA has not been updated to reflect the latest information.

## **Conclusion**

We believe the above evidence demonstrates that National Highways is repeatedly reporting inaccurate scheme costs and BCRs to ministers and officials, with DfT's Permanent Secretary also signing off on these inaccuracies. The result is that ministers are approving projects based on misleading information which could leave their decisions open to challenge.

## **Recommendations**

1. All road schemes listed above should have up to date and accurate AOAs produced as soon as possible.
2. The data used, including background information and assumptions, to produce any BCRs relied upon in the AOAs should be made accessible, preferably through links in the AOAs so that Ministers, officials and the public have a clear understanding of the basis upon which any claims are made.
3. There should be an investigation as to how AOAs have been produced with outdated and inflated BCRs when new calculations have been in the public domain, sometimes for many months.
4. The minutes of the IPDC should be published.

We look forward to hearing from you

Yours sincerely,

Chris Todd  
Director  
Transport Action Network

cc Dame Meg Hillier, Chair, Committee of Public Accounts

Gareth Davies, Comptroller and Auditor General, National Audit Office

Iain Stewart MP, Chair, Transport Select Committee

Nick Smallwood, Chief Executive, Infrastructure and Projects Authority (IPA)

Sir John Armitt, Chair, National Infrastructure Commission (NIC)

John Larkinson, Chief Executive, Office for Rail and Road (ORR)

Jonny Mood, Director - Value for Money and Performance Audit, NAO

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<sup>i</sup> [A303 Amesbury to Berwick Down \(Highways England\): accounting officer assessment \(September 2019\)](#), DfT

<sup>ii</sup> [Lower Thames Crossing: accounting officer assessment \(December 2022\)](#), DfT

<sup>iii</sup> [LTC Combined Modelling and Appraisal Report](#), Table 7.17, National Highways, October 2022

<sup>iv</sup> [TAN letter to Mark Harper](#), December 2022

<sup>v</sup> [A428 Black Cat to Caxton Gibbet: accounting officer assessment \(August 2022\)](#), DfT

<sup>vi</sup> [A428 Combined Modelling and Appraisal Report](#), Table 5-19, National Highways, February 2021

<sup>vii</sup> [A428 Economic Sensitivity Test](#) (November 2021 TAG Update), Table 7-1, National Highways, January 2022

<sup>viii</sup> [A66 Northern Trans-Pennine project accounting officer assessment \(October 2022\)](#), DfT

<sup>ix</sup> [A66 Combined Modelling and Appraisal Report](#), National Highways, October 2022

<sup>x</sup> [A12 Chelmsford to A12 Widening: accounting officer assessment \(September 2022\)](#), DfT

<sup>xi</sup> [A12-A120 Combined Modelling and Appraisal Report](#), Table 11-5, National Highways, August 2022

<sup>xii</sup> [A417 'Missing Link': accounting officer assessment](#) (April 2022), DfT

<sup>xiii</sup> [A417 Combined Modelling and Appraisal Report](#), Table 13-1, National Highways, May 2021