Local Major Transport Schemes:
Development Pool Process
Q&A – June 2011

General questions

Q: When will the final BAFB form be available and will it contain any significant changes from that circulated in February?

A: We hope to circulate the BAFB form at the end of the month, after interim submissions have been received. The form is being reviewed in the light of the Department's revised decision making process as published in April 2011, but we expect the form to be substantially the same as that provided in draft earlier in the year, with some additional and/or reworded questions.

Q: Are Gateway Reviews still required for these projects?

A: The Department requires that gateway reviews are carried out for all schemes where the public sector contribution is greater than £50m. The Department also requires that these should be funded by the promoting authority and that the costs associated with the reviews are not included within the Major Scheme bid.

All schemes with costs of greater than £50m within the development pool should have already completed a Gateway 1 Review and where such a review hasn’t been completed we would urge you to do so. A Gateway 2 review should take place before procurement commences, and a Gateway 3 review when Full Approval is being sought from the Department. As a condition of funding the Department will reserve the right to see copies of these reviews.

For schemes of less than £50m, although gateway reviews are not mandatory, we would encourage authorities to consider them or some other form of independent project assurance.

Q: Does the DfT require project evaluations to be carried out?


We are in the process of obtaining Ministerial views as to how evaluation should be treated as part of this programme and will update you when we have further information but some form of evaluation will be required, something we would presume a promoter would wish to do in any case.

Q: Will the Department continue to fund Part 1 Claims?

A: In order to simplify the process and reduce the administrative burden on local authorities and the Department of processing a significant number of small Part 1 claims over a number of years, Ministers have decided that the Department will no longer fund Part 1 Claims for all schemes funded as part of this funding process. Funding for these claims will rest entirely with the local authority. Promoters should be aware of this revised requirement as they develop their funding proposals. This change will not impact on all promoters as it will depend
on the type of scheme being proposed. To enable consistent comparison we are now asking that the anticipated cost of any Part 1 claims is stripped out of the costs of the previously configured scheme. The BAFB form will be revised to reflect this. (see later question on Part 1 claims).

**Q: Can we include the value of land contributed by a local authority to a scheme as a local contribution?**

A: Where a local authority/promoter is committing its own land to a scheme we will accept land value as a local contribution provided that it is identified as such and backed up by an independent valuation.

**Q: How should third party contributions that are not tied to a specific scheme be treated within the bid?**

A: Third party contributions should be contributions that are granted solely for use on the scheme in question. Any 3rd party income for which the LA has discretion on how to spend it should be counted as an LA contribution.

**Q: Are there any specific requirements regarding funding guarantees for joint bids?**

A: For a scheme where more than one local authority is providing a local contribution the bid needs to state which authority is the lead authority. For each scheme we would expect that one authority would act as the lead authority responsible for meeting all the required terms and conditions (including underwriting the local contribution).

We would expect an appropriate back to back agreement (or similar) with the other authorities within the bid. Similar arrangements would apply for all other cost management issues (such as cost overruns)

If any alternative arrangements are proposed for joint bids please speak to the Department about it.
**Funding and costs**

Q: Is there a preferred DfT funding profile and specifically is there a preference for the DfT to provide their funding contributions before the end of a specific financial year?

A: There is no ideal funding profile and we recognise the funding requirements of schemes will differ dependent on the circumstances of each. We have already provided information of the profile of funding that we are likely to have available. Ideally we would like the DfT spend to be completed within the Spending Review period (i.e. up to 2014/15) but we recognise there are schemes where this will not be possible. Those schemes with funding requirements outside the spending review period will not be disqualified but ability to spend within the spending review period will be considered as part of our assessment.

Q: Would the DfT have any objections to front loading their funding for the scheme if this resulted in a higher % of contributions from the local authority/third parties and a net saving to the DfT?

A: No. Minimising the total DfT funding contribution is more important than the profile of contributions. However, at least 5% of the requested DfT contribution must come in the final year of funding.

Q: If we requested the funding from the DfT to be front loaded would this impact on our evaluation score negatively?

A: No.

Q: Is it the DfT's expectation that their funding contribution would be provided at a fixed % year on year and if this is the case, is there any flexibility within this approach?

A: A consistent local/national percentage contribution year on year is the default position but there is significant flexibility and LAs are free to propose other options, especially if this facilitates a lower overall DfT contribution. However, at least 5% of the requested DfT contribution must come in the final year of funding.

**Modelling and Appraisal questions**

Q: Which version of TUBA should I use?

A: The latest version of TUBA is v1.8. TUBA users will have been notified of its release and it is available to download from the Department’s website.

Q: There is uncertainty about the timing of ‘Part 1’ claims for our scheme; how should these be dealt with in appraisal?

A: Given the impact of ‘Part 1’ claims is likely to be a relatively small proportion of overall scheme cost, we advise promoters to include these costs as part of the land costs in the appraisal. As stated above, for bidding purposes these costs should no longer be counted as part of the capital cost of the scheme in the funding proposal.
Q: How do we deal with developments that are dependent on the scheme?

A: We would encourage promoters to use WebTAG Unit 3.16 ‘Appraisal in the Context of Housing Development’, which is currently in draft, to appropriately appraise schemes with dependent housing development. The guidance included in this unit can also be used for appraisal in the context of delivery of other land use types; however robust evidence will need to be provided to estimate the ‘planning gain’ element of the benefits, and the Department would be happy to discuss with promoters what evidence they intend to use.

The detailed evidence and analysis should be included with the other supporting modelling and appraisal information and the results of analysis (including the number of dependent houses, or equivalent unit for non-housing land uses, and the monetised valuation) should be reported in the value for money section of the BAFB form. However, it should be noted that under the revised decision making system, dependent development delivery benefits will be considered as part of the strategic case. Therefore, any valuation of dependent development benefits should be reported separately from the central value for money evidence and will primarily be used when assessing the bid’s strategic case.

Q: How should mode constants, interchange penalties, crowding benefits and weighted walk/wait times be dealt with in appraisal?

A:

- If a mode constant is adjusted because of the implementation of a scheme (e.g. in the face of a new or improved mode), then the evidence base for the adjustment needs to be provided and the value shown to be robust in the context it has been used. The benefits attributed to a change in mode constant will need to be separately identified (and reported under the journey quality section of the AST). The AST requires time savings to be reported by the level of time saving. Separate reporting of benefits from mode constant changes may affect the proportion of benefits by different levels of time saving and some adjustment may need to be made. The Department would be happy to discuss what methodology should be employed in these circumstances;

- The evidence base for chosen interchange penalties needs to be provided and the source shown to be robust in the context it has been used. As above, the benefits attributed to interchange should be reported separately from time savings and some adjustment to the proportion of time savings by the level of time savings may be required;

- The benefits attributed to crowding need to be identified and reported separately from time savings. Again, the Department is happy to discuss the appropriate methodology for adjusting the proportion of time savings by the level of time saving, where necessary;

- Guidance is provided in WebTAG on the weighting of walk and wait times; if promoters depart from this guidance then evidence needs to be provided to support the departure. Where benefits are attributed to walk/wait, adjustments to the proportion of benefits by the level of time saving may be required and the Department is happy to discuss the appropriate methodology.
Q: For the Spending Review, DfT made adjustments to reflect wider impacts and reliability benefits using uplift factors; can I apply uplift factors too?

A: The use of average uplift factors masks potential variation in the benefits of different schemes but was deemed appropriate for the Spending Review as we were assessing value for money across the Majors programme. We are now in a competition and are encouraging promoters to make sure that all relevant impacts have been identified and estimated. We are also hoping to improve confidence in appraisal results by ensuring modelling represents best practice and this will be best achieved by following published guidance. However, we want a proportionate appraisal process and are willing to discuss alternative methods with promoters. Where alternative methods, such as uplift factors, are applied, supporting evidence justifying the approach taken should be provided.

Q: How can I obtain a copy of the software to estimate wider impacts and how should I run it?

A: A Beta version of the WITA (Wider Impacts in Transport Appraisal) software can be obtained by contacting tuba@mottmac.com. However, as the software has not been finalised, there are no support arrangements in place and promoters should make such arrangements directly with Mott MacDonald.

An NTEM 6.2-consistent version of the economic data set required to run WITA is also available from WiderImpacts@dft.gsi.gov.uk and should be used in the central estimate of wider impacts.

In the central case, cost aggregation method 4 should be used to calculate average generalised costs between WITA zones. This method can lead to counter-intuitive results if a scheme leads to significant trip redistribution. In such cases cost aggregation method 3, which uses fixed trip weights, may be appropriate and this should be discussed with the Department.

WITA calculates wider impacts for every WITA zone, including those outside of the area covered in detail by the transport model. This can lead to spurious results if a complete set of trips for an area is not represented in the model. Therefore, wider impacts should not be included for areas where matrices are incomplete or the network and modelling are not sufficiently detailed. If the detailed modelled area is bigger than the Functional Urban Region (FUR) relevant to the scheme, the FUR may be the most appropriate area over which to include wider impacts. Promoters should agree the area over which wider impacts will be calculated with the Department and exclude the results from other zones.

Estimating wider impacts requires both public and private transport modes to be represented. If a public transport only model has been used, the benefits should be adjusted to reflect mode share. If a highways only model has been used, and public transport modes are relatively insignificant in the area, it may not be necessary to adjust the benefits but evidence should be provided to support this decision.
Q: What supporting evidence and documentation should we provide for estimates of wider impacts?

A: If WITA has been used, promoters should send a complete set of the input and output files produced by WITA. Alternative planning assumptions should also be provided, where used, but it is not necessary to provide the default economics data set files. Supporting evidence should be provided to justify the area over which wider impacts have been calculated and any adjustments that have been made to benefits to account for missing modes. If an alternative method has been used, you should provide details of any calculations and a complete set of supporting evidence for any assumptions made. This information can be submitted ahead of the deadline for the final bid.
March Q&A

Promoters should be aware that Ministers have refined the answers to some questions given in our previous Q&A submission. These revised answers are given below:

Q32: What would happen if the scheme tender price comes in lower than the total scheme cost as estimated in the BAFB?

Updated Answer

If a scheme is delivered at a lower cost than expected at bid there will be a pro-rata reduction in the Department’s contribution to that scheme i.e. if at bid the DfT contribution is 70% of scheme costs and via the tendering process the scheme cost is lowered, then our contribution will be 70% of the new revised cost. A similar reduction would also apply if outturn costs during the construction phase of the scheme were lower. It should be noted this would only apply to reductions in scheme costs from that envisaged at bid.

Q20: How does your prioritisation process impact on the timetable for public inquiries for those schemes that need them?

Updated answer:

The Secretary of State cannot issue a final decision on statutory orders for Development Pool schemes until we have announced decisions in December 2011. For those schemes where an inspector’s report has been received, the Secretary of State may decide to issue a “minded to” decision. However, he will not be able to issue a final decision until the outcome of the funding competition is known. For those schemes for which Public Inquiries have still to be held, the Department will not object to Public Inquiries being scheduled and taking place between now and December. However, promoters must recognise that there is likely to be no certainty of funding at the time of such Inquiries. It will be for the inspectors in those Inquiries to decide whether a scheme’s presence in the Development Pool is sufficient to pass the required funding test; namely that there is a “reasonable expectation that a scheme will secure funding”. Some inspectors may decide to defer a decision until the results of the Development Pool competition are known in December 2011.

Progressing a scheme through the statutory processes between now and December may put your scheme in a better position in terms of cost certainty and deliverability. However any promoter considering such an approach should be aware that any spend (including claims made against the promoter by objectors for their costs) is entirely at the promoter’s risk and the Secretary of State will not reimburse a promoter for those costs should a particular scheme not be selected for funding as part of the decisions to be made in December 2011.

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