DEVELOPMENT POOL SCHEME WORKSHOPS

24th February 2011
2nd March 2011

Questions and Answers

General Process

Q1: Will there be opportunities for us to negotiate our bid with you after 9th September?

A1: No. This is a competition and we will not be able to accept bid revisions after noon on the 9th September so this has to be your best and final bid. We will ask clarification questions as necessary after that date but we will not enter into negotiations about your bid and you will not be able to revise it.

Q2: What risk is there that, having secured Programme Entry in December, we fail to get a Full Approval from the Department further down the line?

A2: We would expect the main risks to be a failure to secure statutory orders or planning consent, or if scope and costs have materially changed (e.g. higher than expected tender prices). Please remember that when we give schemes a PE approval in December this will be for a capped amount and we will not provide additional funding if tender prices are higher than envisaged. Cost risk sits with the promoter.

Q3: How do you expect to deliver to your annual spend profiles if you don’t negotiate with us?

A3: We won’t negotiate the content of the bid but, once approved, we may need to discuss start dates and profiles with regard to our annual budget allocations.

Q4: Are we required to present a preferred option and a lower cost option as part of this bidding process?

A4: No. We are looking for your best and final bid. In a few cases we may need to ask you for appraisal information about alternative options that you have previously considered or ask you to perform sensitivity tests.

Q5: Are promoters who submitted MSBCs in March/April 2010 at a disadvantage because their proposals might be less well developed than schemes which secured approvals at an earlier stage?

A5: We have to deal with the fact that the schemes are at different stages of development. Our aim is to create as level a playing field as possible for assessing all bids.
Q6: Will you be issuing revised MSBC guidance to replace the 2007 guidance?

A6: We will not be issuing general guidance because we are not inviting new bids for funding for the foreseeable future. The arrangements for Development Pool bids are those set out in this workshop and contained in the draft BAFB form. We will, however, be issuing revised “value for money” guidance shortly.

Q7: How much of the material we produce actually gets seen by Ministers?

A7: That depends entirely on what ministers ask to see. All the information that you supply is considered as part of our bid assessment process.

Accelerated Bid Process

Q8: You refer to a possible accelerated bid process but this is unlikely to work for our scheme. Why are you doing this?

A8: Post-Workshop Update: Some promoters asked if we would be prepared to consider earlier bids and make earlier decisions. Ministers trailed this as a possibility in the document we published on 4 February (Investment in Local Major Transport Schemes: Update) however, after considering the options, they have decided not to pursue this option. We will not therefore be taking forward an accelerated bid process.

Consultation, Engagement and Alternatives

Q9: How do you expect promoters to engage with LEPs?

A9: We are aware that LEPs are still at a formative stage so there may be a limit to how far engagement with them can take place. Ministers will want to examine carefully the pros and cons of schemes that are being contested by local or national groups etc. Engagement with LEPs might help with brigading support for a scheme. Letters of support from LEPs will carry far more weight if they include details of precisely how and why schemes are important in a way that differentiates between schemes and demonstrate why they would benefit the local area.

Q10: Some schemes attract very vocal opposition from a minority of local residents. How will you take into account the “silent majority” who support the scheme and the popularity of a scheme?

A10: Ministers will expect us to get “under the skin” of the schemes that we know have provoked opposition and controversy, and get a clear understanding of how you are taking the various concerns on board. If promoters feel that schemes retain majority support, despite the voices of
opposition then it is for those promoters to provide any evidence that
demonstrates the level of support locally.

**Q11: Will you visit promoters to see scheme locations as part of your engagement with us?**

A11: Yes, if time and resources allow.

**Q12: Will you provide us with feedback from your engagement meetings with CBT and other stakeholders?**

A12: Yes, this will be reflected in our engagement with you in the period up to 9th September and as part of the bid clarification process.

**Q13: Will you be having engagement meetings with other stakeholders such as the CBI?**

A13: Subject to time and resources, we would engage with any groups that approach us or that ministers ask us to. So far this has not been the case with industry groups such as the CBI. We wouldn't rule this out but we would expect Local Enterprise Partnerships to reflect the views of industry in their areas.

**Q14: You say that you expect promoters to provide evidence of recent local consultation. What do you mean by “recent”?**

A14: We don’t have a precise timescale in mind but, as a broad rule of thumb, if you have consulted in the last 2 or 3 years this is likely to be sufficient but each case will be judged on its merits. It also depends on the extent to which you are revising your scheme and the level of controversy the scheme generated. We would expect you to consult on material revisions. We can discuss this with individual promoters as part of our inception meetings.

**Q15: You’ve said that Ministers are interested in the options generation / assessment work we’ve done. If you want us to do more, this could involve a lot of work. Do you expect us to do more?**

A15: Our focus will be to challenge the robustness of the options generation / assessment work that you have already done, not to ask you to undertake it afresh. It will be for you to address any concerns we have or provide more back up evidence where we think it has not been sufficiently documented. Ultimately, if we feel the options generations work is not sufficiently robust to have confidence that the scheme is the right answer then that is something we may take into account.
Criteria for Final Decision

Q16: The draft Best and Final Funding Bid (BAFB) form places a lot of emphasis on cost reduction. To what extent will you also be considering the contributions that schemes make to the Government’s policies on carbon reduction and economic growth?

A16: Clearly the Government will be interested in the contribution that schemes can make to delivery of carbon reduction and economic growth. It is clear, however, that Ministers will continue to take a keen interest in reducing costs to the Department and that the financial offers made by promoters in their BAFBs will play a very significant part in the scheme assessment process. We cannot at this stage be specific about the precise weighting or scoring of these factors.

Q17: To what extent will you take into account modal and geographical distribution when making decisions, or areas of economic deprivation?

A17: We have said that these will be criteria we will take into account, but it may be something that we look at towards the end of the process if the key criteria result in a significantly unbalanced programme.

Q18: Will you be weighting the criteria that you use in your decision making?

A18: We do not have a pre-determined set of weighted criteria.

Deliverability

Q19: If my scheme is successful in December 2011 and secures a (revised) Programme Entry, how long will it take to secure Full Approval?

A19: It depends on the circumstances for each scheme. In some cases promoters will need to secure statutory orders and/or planning consent and undertake a procurement process to identify a firm tender price. The sooner these milestones are reached, the sooner you can submit a case to us for Full Approval. If these are already in place then you may receive Full Approval straight away (as two of the Supported Pool schemes did)

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

A20: 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. He may not be able to issue a final decision until the outcome of the funding competition is known. The Department has no objection to Public Inquiries
being scheduled and taking place between now and December. However inspectors will need to take a view on whether there is a reasonable expectation that a scheme will secure funding. We cannot say for certain that an inspector will consider a scheme’s presence in the Development Pool as enough to pass the “reasonable expectation” test. 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 spend is entirely at your risk and will not be reimbursed if your scheme is not funded.

**Q21: Can we go out to tender before we submit our bid or before we know your decision?**

**A21:** We could not stop you doing this but would advise that you consider the implications very carefully. It is questionable whether potential bidders would want to spend time and money bidding when the funding has not been agreed. We would be happy to discuss this on an individual basis with scheme promoters.

This may be easier for schemes where there is an ECI contractor already on board and a target price can be agreed.

**Financial**

**Q22: To what extent are schemes in the Pool constrained by the need to spend in the current Spending Review period?**

**A22:** We realise that schemes will not finish spend neatly on 31 March 2015 and that there will be some spend falling in the next Spending Review period. We will need to monitor this carefully so it is crucial that you let us know if this applies to your scheme. Ministers will no doubt wish to take this into consideration. At the same time we will also be considering how the funding mechanisms for local major transport schemes might work in the next Spending Review period, given the Coalition Government’s wish to devolve greater power and financial autonomy at the local level.

**Q23: If you will not be increasing DfT’s funding contribution post Programme Entry, do we need to include optimism bias in our bids?**

**A23:** The previous system for funding cost overruns (the risk layer) no longer applies; the BAFB must include a capped funding bid. However, optimism bias forms an important part of our value for money assessment and it is important that you set out clearly the value of optimism bias you are using in your bids.
Q24: Can you comment on suitability of Tax Increment Financing (TIF) as a source of funding for local major schemes?

A24: Your bids will need to demonstrate that you have secured all other sources of funding (i.e. local and third party contributions), or that your authority is prepared to underwrite a contribution where it has not yet been secured. We appreciate that you may wish to raise local funds through new mechanisms like TIF where the guidance is not yet clear. We would want to discuss specific issues further with scheme promoters as part of our engagement.

Q25: You mention the possibility of some funding in 2011/12. How much can you provide?

A25: There is a chance that we may be able to provide a modest level of funding in 2011/12 but it is likely to be quite small.

Q26: What level of local funding contribution will you be expecting to see in bids?

A26: We’re not setting a benchmark for local contributions but please be aware that the Secretary of State will expect all promoters to show that they have done all they can to reduce the Department’s contribution.

Q27: Will you be allowing for any over-programming in the Development Pool?

A27: We will need to consider this when we make decisions in December. If we do decide to factor in over-programming it is likely to be modest in scale and unlikely to be at the same level as in Regional Funding Allocations.

Q28: If the bids reveal an overall forecast underspend in the Spending Review period will this provide headroom for additional schemes?

A28: We will need to consider this once we have a clearer picture of the programme in December. The initial information we request from you in June will also allow us to build up a picture of likely spend.

Q29: In some cases promoters may have to spend a lot of money in preparatory costs over the next 6 months or so in order to increase the certainty of scheme costs. What level of certainty does the Department expect to see in cost estimates?

A29: It depends on how recent your existing cost estimates are and the extent to which you are revising your scheme. If your scheme is being reconfigured then we would expect you to have costed your revised elements to MSBC standards. If your scheme is successful, you get an offer of funding which will be capped. Promoters will bear the risk of any cost increase or any failure of
3rd party funding to materialise. It is therefore in your interests to do all you can to reduce that risk.

Q30: Will you honour earlier commitments you made to pay prep costs?

A30: You are free to consolidate prep costs (including those previously agreed) in your bids but these will be counted as part of the total cost for the purposes of assessing the bids.

Q31: How should we manage any uncertainty about 3rd party funding in our Section 151 declarations?

A31: We would expect you to provide us with letters from 3rd party funders indicating the level, timing and degree of certainty of their financial support. Ultimately, if 3rd party funding cannot be secured, we would require your S151 Officer to guarantee to underwrite the costs from your authority’s funds.

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

A32: The details of how this will work will be subject to ministerial approval. However your assumption should be that we will provide the level of funding that you bid for; unless the total cost of the scheme is less than that.

Q33: To what extent will you take into account the percentage DfT contribution of the scheme as previously configured and the percentage DfT contribution of the BAFFB?

A33: The actual reduction in the DfT contribution and the reduction in the percentage in DfT contribution to the scheme will both be important factors that we are likely take into account.

Q34: Will you publish information showing the overall funding profile available for Development Pool schemes over the Spending Review period?

A34: The current spend profiles are set out below but promoters should be aware of the following caveats. The available spend profile noted is subject to revision over time reflecting the progress and spend profiles of particular schemes, and adjustments to the Department's internal budgets. It can thus only be taken as a guide as to what money is available per year, and will alter over time. Whilst promoters may wish to be aware of this profile, it will be important that in any bid promoters reflect a realistic spend profile envisaged for their scheme. We will discuss individual scheme profiles as part of our discussions with promoters, and also in the light of the interim information that we will collect in June.
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**Commercial**

**Q35:** For public transport schemes, do you want to see evidence of our negotiations with commercial operators and evidence of our procurement approach before we submit our BAFB?

A35: It depends on what stage of development your scheme is at. We would not expect you to have reached such advanced stages of negotiation, for example if your MSBC was only submitted in March 2010. But where negotiations and commercial deals are fairly advanced then we would like to know what they are.

**BAFB Document**

**Q36:** I’m promoting a structural maintenance scheme and we have not submitted a major scheme business case to the Department. Do we still need to provide material covering all of the “five cases” set out in the 2007 major scheme guidance?

A36: Maintenance schemes will still need to provide material on the “five cases” but our main focus will be on the importance of undertaking the works and the implications of not doing so in this Spending Review period.

**Q37:** For bridge replacement schemes, where on the form should we provide information on the importance of doing the works and the impact of doing nothing?

A37: Please provide this in Section 6 of the form, Additional Information. Some of this information will also feature in the Value for Money assessment and the relevant supporting information.

**Q38:** How should we present pre 2011/12 costs on the form? This would cover prep costs we have incurred so far.

A38: To ensure a level playing field the total scheme cost quoted should be as defined in the previous MSBC guidance. That is, all costs incurred post Programme Entry (actual costs if your scheme already had PE or expected costs from PE if yet to be achieved) except ineligible preparatory costs.

We will include a “pre 2011/12” column for any post-PE costs already incurred and ask you to identify separately the PE to FA costs.
However, a high level of sunk costs since PE will not necessarily be regarded favourably, if the level of spend is associated with significant and avoidable delays to the schemes’ implementation.

**Q39: Can you clarify what you mean by “previously configured scheme”?**

A39: Effectively this means the scheme as it stood on 10 June 2010 [when we wrote to you suspending the major schemes guidance]. This might be the scheme approved at Programme Entry or submitted in an MSBC for Programme Entry or the latest scheme design on which your most recent Quarterly Management Return to the Department is based (the quarter ending March 2010 being the latest). In all cases it should reflect the scheme that you would have taken forward on 10 June 2010. This will provide us with the baseline against which we can compare your BAFB.

However that does not mean that we will not recognise any efforts to reduce scope or value engineering that had already taken place before that date.

**Value for Money**

**Q40: Will the amount of appraisal material you request be proportionate to the cost of the scheme?**

A40: Yes, we will aim to take a proportionate approach that reflects the cost and complexity of each scheme but also ensures consistency across the programme. We can discuss this further with individual promoters in the inception meetings.

**Q41: Do we need to provide BCRs for alternative options we’ve considered?**

A41: We wouldn’t expect you to do a full appraisal of alternative options unless we specifically request this but we will need you to demonstrate the robustness of the work that led to your decision on options.

**Q42: Should we use the new NTEM dataset that is due to come out in March 2011?**

A42: We will advise you imminently about which version of NTEM to use in preparing your bids. All promoters will need to use the same version to ensure consistency. For the time being, you should assume that you need to use the new version.

**Q43: When will you release the latest version of NTEM?**

A43: We hope to release this dataset imminently. If this is not possible, we will provide further advice to promoters on what planning assumptions to use.
Q44: Will we have to undertake an assessment of wider impacts? If so, have you been able to address the issues with the guidance identified during consultation?

A44: The Wider Impacts guidance remains in consultation, but promoters are welcome to undertake an assessment of Wider Impacts if they think this provides a more comprehensive understanding of the impact of a scheme.

Q45: WITA is only available on a limited release at the moment? When will it be more widely available and will we have to use it?

A45: We aim to make the November 2009 beta version of WITA available to scheme promoters who wish to use it. If alternatives are used, we will need to understand how they differ from WITA.

Q46: What appraisal guidance should we use for rail schemes?

A46: Your appraisal should be consistent with WebTAG. Not all schemes will need to be modelled in exactly the same way. We will need to understand how different approaches affect value for money.

Q47: Will we need to use the Carbon Tool?

A47: The impact of schemes on Carbon must be assessed using WebTAG. Promoters are welcome to use the Carbon tool if it helps them to complete the assessment in compliance with WebTAG.

Q48: What inflation assumptions should we be using?

A48: We need you to tell us what inflation assumptions you are using. If they have an impact on value for money then some sensitivity testing may be required. We may also challenge unusually high inflation assumptions when looking at your costings.

Q49: Some of the WebTAG guidance e.g. on “wider impacts” is still in consultation. Should we be using it?

A49: This guidance may change as part of the Decision Making Review and consultation processes. If it remains at consultation stage, you are not required to use it but it may help your economic case if you do. We can discuss this further in individual inception meetings with promoters.

Q50: It will take a lot of work to produce all the AST worksheets. Can you indicate which ones are priorities for you?

A50: Most promoters should by now have completed worksheets for MSBC submissions. We are not asking you to re-write them. We would expect you to review and update them as necessary to reflect any scheme changes in your BAFB. We are happy to discuss this further in the inception meetings.
Q51: When will you be issuing the revised “value for money” guidance?

A51: Value for Money guidance will be issued once the Decision Making Review concludes. We hope this will be shortly.

**Modelling**

Q52: Would you expect us to provide demand forecasts for public transport and rail schemes?

A52: Yes, we would expect you to include this in the modelling and appraisal information that you submit to us with your bid.

Q53: The RAG rating of modelling and appraisal issues is helpful. Do you expect all schemes to achieve a complete set of “green” ratings before bids are submitted?

A53: No, but the more that can be done to reduce uncertainty, the better.

Q54: How will you ensure consistency of assessment in cases where different models have been used?

A54: We will scrutinise the modelling material to ensure that the main responses to any scheme are appropriately captured; this will lead to different types of models for different schemes but should ensure we have covered the most important elements and have some quantitative evidence to show the analysis is appropriate. We will use sensitivity testing on a case by case basis to understand the impact of different model forms and assumptions might have on the value for money case. Our aim is to ensure as level a playing field as possible.

Department for Transport
Local Capital Programmes and Delivery / Local Economics

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