Local Authority Major Schemes Development Pool Workshop

24 February 2011
2 March 2011

(amended in light of subsequent Ministerial decisions)
Agenda

• Welcome

• Key Messages
  – John Dowie, Director, Regional & Local Transport Directorate

• The Process

• Lessons learnt so far

• What we need from you

• Value for Money / Modelling Issues

• Final Questions and General Round Up
Aims

• Provide you with feedback from the recent competition

• Listen to what you think worked and what didn’t.

• Share with you our early thoughts on information we will need in June and Sept.

• Give you a clear indication of what you can be getting on with now.

• We will be taking notes of questions asked and will be circulating a consolidated list of answers after workshops have finished.
John Dowie

Director – Regional and Local Transport Delivery
The Process

Matthew Lodge
The Process

Development Pool
Feb 2011

Pre Bid Information
June 2011

Best and Final Bids
Noon 9 Sept 2011

Decisions
Dec 2011*

Bid Preparation Phase

Bid Preparation Phase

Bid Assessment & Clarification

Evaluation & Decisions

Clarification Period
Ends Mid Oct

Programme Entry / Approval etc

Rejection

* Subject to Ministerial Endorsement
The Process

Interim Bid Information
• *End of June 2011*
• Initial view of what final funding bid might look like.
  – Allows us to give you early feedback.
  – Information will not be binding
  – Basic information; we will circulate requirements shortly

Best and Final Funding Offer
• *12noon - Friday September 9th*
  – All bids and supporting information *must* have been submitted; bids after this date will not be accepted
  – After this date we will be asking clarification questions; revisions to bids will not be allowed
The Process

Clarification Process

- DfT will submit any clarification questions to scheme promoters by Oct 7 2011
- We will expect a written response within 2 weeks of questions being submitted
- Reserve the right to ask further clarifications (but not our expectation)
- Clarification questions are not scope to revise bids – we will only be asking questions to clarify our understanding etc

Decisions

- Hope to make announcements by end December
- All subject to Ministerial approval etc
Early Information

- Encourage early submission of draft information especially where it is not a ‘fundamental’ part of the bid
- Allows us to provide some feedback etc
- Likely areas
  - Procurement process
  - Scheme Project Management
  - Governance
- No need to resubmit final documents where these have already been supplied; can just cross refer to early documents etc (but note need to publish)
The Process (3)

• Meetings with DfT
  – We will contact all promoters over the month to arrange some initial meetings
  – Likely to prioritise those where key issues remain to be addressed
  – Initial meetings are likely to be in London / telephone

• Going forward
  – How do you want to engage with us?
    • Modelling and Appraisal issue
    • General bid development
  – Ad-hoc meetings / prearranged / telephone conferences etc

  – Resources are limited and so we are highly unlikely to meet all meeting requests
Publication of Bids

• We will require promoters to publish bids when you formally submit them to us (i.e. 9th Sept)

• Required to publish supporting information

• It will be for promoters to redact any confidential information (use FOI as a benchmark – we would expect minimal redactions)

• DfT will provide a link to these from our website
Possible Accelerated Bid Process

• Considered by Ministers and will not be progressed
Consultation, Engagement and Alternatives

• Ministers are keen to understand why schemes might be seen as controversial by local residents
  – Keen to understand potential alternatives & why these haven't been chosen

• Keen to understand overall levels of support and there will be specific requirements to make this clear
  – *if you haven't consulted recently – start thinking about it*

• Views of Statutory Bodies will be important
Questions ?
Lessons Learnt

Bob Collins
Some Lessons From Recent Process

• Interested to know what you thought of recent process?

• Views of Ministers / General feedback

• Some lessons learnt which hopefully reflected in revised BAFB form
  – Document should stand alone (except modelling annexes)
  – Keep descriptive drafting (schemes description; objectives) brief - use annexes for more detailed information
  – Send both electronic and hard copies
What information we need from you

Bob Collins
Charlie Sunderland
Criteria for final decisions

- Still under development
- Consistency with Decision Making Review “reform the way decisions are made on which transport projects to prioritise”
- Working assumption that the MSBC ‘five cases’ will remain important
- We will share draft assessments and feedback as we go along
- WE WELCOME YOUR VIEWS
Strategic

• Objectives
  – Are they clear? Alignment with Government policy

• Strategic importance among stakeholders
  – Meaningful input from LEPs/business

• Option generation
  – How robust? Confidence that this is right scheme/mode?
Deliverability

• Readiness
• Likelihood of delivery in SR period
• Risks to delivery
  – Governance
  – Risk register
  – Track record
  – Opposition groups/stakeholder management
Financial

• Scheme costings
  – Check on rigour of estimating, particularly where significant changes proposed
  – Evidence of value engineering

• LA and third party contributions
  – Have you gone as far as you could?
  – How can you raise the money?
Commercial

• Has the most cost effective procurement route proposed?
  – package schemes with multiple procurements
  – schemes involving mix of infrastructure and service provision
Front Section

- Scheme / Local Authority name
- Cost Summary Table
- Contact details
- Senior Responsible Owner Declaration
- S151 Officer Declaration
Information on scheme as previously configured
(either at PE or revised up to 10 June cut-off or as at last QMR)

Allows us to compare against revised bid

- Cost information
- Description of scheme
- Primary objectives
  - limit to main ones (ideally no more than 3)
• Latest position regarding any developments associated with the case for the scheme
  - Have assumptions on planning, esp. housing, changed?
  - How will this affect scheme?
Proposed changes to scheme

- Describe changes if any
- Have you ruled out additional changes of scope – if so why?
- Any savings through value engineering?
- Latest assessment cost, feasibility or value for money of any alternatives to the proposed scheme?

- Ministers will want to be assured that proposed scheme is right one
Impact of proposed changes

• upon objectives
• upon overall value for money case
• upon statutory orders and/or their timetable
• Risks to delivery timetable
• Set out proposed procurement arrangements
• Set out governance arrangements
Funding information

- total outturn cost of revised scheme
- inflation assumption (*for you to decide; we are happy to discuss*)
- breakdown of funding sources (*LA / third party / DfT*)
- funding profile
- whether you could make use of funding in 2011/12

- Explain efforts to obtain third party funding or why not possible (*Ministers very interested in this*)
- For PT schemes – details of revenue generated and ongoing liability
Stakeholder management

• Details of consultation (both pre- and post-January bid)

• Letters of support (particularly where they explain importance of scheme to partners – would expect to see one from LEP)

• Opposition to scheme (and how you are dealing with concerns)
Additional Information

– Any other information you think relevant to bid
Evaluation

– still requirement that evaluation is undertaken; not yet clear whether for all schemes or for all elements of scheme
Questions?
Value for Money & Modelling

Mark Ledbury (Local Economics)
• Value for Money Guidance

• Modelling

• Quality assurance
Decision Making Review yet to be completed

• “We will judge schemes in a way that is consistent with the Department’s Review of Decision Making”

Review and revise DfT guidance on appraising transport projects

Review and revise DfT processes for assessing schemes and supporting ministerial decisions

This is about the evidence used to appraise schemes. No decisions yet but promoters encouraged to review latest drafts of technical guidance e.g.:

– Values of time
– Carbon values
– Social and distributional impacts
– NTEM
– Wider impacts

• Caution! … ministers haven’t yet made final decisions
• We will provide more details when decisions are announced
Revised VfM guidance to be published to reflect new circumstances

The are a number of characteristics which make this process very different from the previous RFA process – these will be reflected in the VFM guidance

- Decision Making Review
- Revised technical guidance
- Competition for funds
- Ensuring consistency
- Tight timescales for development
- Engagement
- Deadline for decisions
- Dealing with uncertainty
• Value for Money Guidance

• Modelling

• Quality assurance
### We have conducted a preliminary assessment of the modelling supporting each scheme

<table>
<thead>
<tr>
<th>Concern</th>
<th>Area of Concern</th>
<th>RAG Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data</td>
<td>Coverage of and age of data</td>
<td>Amber</td>
</tr>
<tr>
<td>Base Model Fit</td>
<td>Poor fit of highway model</td>
<td>Red</td>
</tr>
<tr>
<td>Supply and Demand Model</td>
<td>Demand modelling</td>
<td>Amber</td>
</tr>
<tr>
<td>Forecast Assumptions</td>
<td>Forecast assumptions (use/update of uncertainty log)</td>
<td>Amber</td>
</tr>
<tr>
<td>Appraisal Assumptions</td>
<td>Annualisation</td>
<td>Green</td>
</tr>
</tbody>
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Note: we may want to consider other aspects of the modelling/appraisal as our understanding of the scheme develops

- The assessments are high level – further details can be provided at inception meetings
- These provide focus for further development of models and forecasts
- Level of modelling uncertainty will be reflected in VfM advice given to ministers
- Overall assessment of modelling will depend on whether it is “fit-for-purpose” i.e. not a mechanical application of RAG ratings
- Will seek to balance demands of competitive environment with proportionate approach
# Common issues (1): Data

<table>
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<tr>
<th>Issue</th>
<th>Potential solutions</th>
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| There have been large changes in travel patterns in some areas since business cases were last reviewed. If these changes aren’t reflected in the forecast, there is a knock-on impact on the robustness of the appraisal. | Ideal solution = collect new travel pattern data to enable an update of the model base. An alternative approach could involve checks to demonstrate that the base data is still representative but this could show that new data is required:  
  - Undertake a present year validation using count data and journey times  
  - Demonstrate that there has been little change in travel demand and patterns since base data had been collected e.g. through counts, identification of land-use changes. |
## Common issues (2): Development assumptions

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| Assumptions about local developments are either:  
  - unclear;  
  - not supported by evidence; and/or  
  - haven’t been updated to reflect the impact of the recession and local circumstances | Review assumptions about local development giving a clear rationale for any assumptions made (include an uncertainty log as outlined in WebTAG 3.15.5)  
  Produce sensitivity tests on local development assumptions (constrained to NTEM) in addition to tests of overall growth as per guidance  
  Use WebTAG unit 3.16 where there is potential for scheme dependent development |
<table>
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<td>▪ Some promoter only show impact of a scheme in a few time periods e.g. AM and PM peaks</td>
<td>▪ Issue needs to be discussed on a scheme by scheme basis prior to submission but to facilitate discussion it would be helpful to:</td>
</tr>
<tr>
<td>▪ By only including some time periods, the full range of benefits and disbenefits of a scheme are not taken into account</td>
<td>- Make it clear what annualisation rates have been used and the evidence used to support these</td>
</tr>
<tr>
<td>▪ Approach to annualisation (e.g. AM peak hour to peak period using volumes) can under- or over-state benefits</td>
<td>- Consider what data might be available to show the full 8,760 hours in a year</td>
</tr>
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</table>
• Value for Money Guidance

• Modelling

• Submission of material
We will require a full submission of appraisal and modelling material.

**Submission**

**BAFB**

We anticipate that the BAFB will include a short statement of overall Value for Money and will draw attention to main results.

**Summary Annex**

The BAFB should include a short summary annex setting out the revised Value for Money case:

- As a guide, this should be 10-15 pages long and include the MSBC checklist for modelling, forecasting and appraisal.
- Include significant assumptions, sensitivity tests and changes to modelling and appraisal since Programme Entry.

**Forecasting Report**

Supporting modelling and appraisal material will need to be submitted to DfT by the 9th September:

- This will include all material covered by the MSBC checklist.
- Resubmit material even if you have provided it to DfT before.
- You can submit this material before the BAFB.
- You will need to make this material available on your website.
Assume this is a standalone submission

Provide us with standard MSBC supporting material including:

- LMVR, Forecasting Report, Demand Model Report etc
- TUBA output files
- TEE/PA/AMCB table using electronic templates
- AST worksheets

Ensure that supporting material includes any additional evidence or explanation for the Cost Benefit Analysis such as:

- Optimism bias assumptions including supporting evidence if reduced rates are applied
- Stated preference studies used to estimate benefits of improved quality/facilities
Please make sure all outputs are checked and Quality Assured

- Make sure financial costs reconcile with appraisal
- Provide an explanation for any TUBA warnings
- Don’t assume DfT know the geography – provide maps & diagrams
- Avoid assertions (e.g. optimism bias, developments, validation)
- Sense check results (e.g. geography, time period, year) and provide your commentary
- Review impacts on public transport operators (and if necessary amend assumptions)
- Make sure you are explicit about how multiple TUBA output files (or other results) have been combined to obtain the TEE
- Provide a commentary on major changes (scale, pattern of results) since Programme Entry
A recap of the main messages…

1. Scheme appraisals will need to be updated and revised for new guidance

2. Spend some time reviewing and improving your models and analytical tools

3. Make sure that final submissions are thoroughly checked and Quality Assured
Questions?
Some Closing Thoughts

• Competition closes: **12 noon Sept 9 2011**

• Descoping - what is really needed / nice to have

• Cost Savings & apportionment of savings

• Quality assurance of bid information

• Public acceptability and alternatives