



## **South East Midlands Local Transport Body local major scheme prioritisation: conclusions on methodology**

The following recommendations and changes on the methodology were agreed to be good ideas going forward into the process, and will therefore be included in the methodology:

### **Evidence gathering and early sifting**

JMP to undertake early meetings with scheme sponsors (the four local authorities) to gain a better understanding of the schemes being presented, and to ensure that sufficient evidence is available to populate the necessary elements of the prioritisation methodology. These meetings took place on the 6th and 11th June.

An early sift should be undertaken to identify schemes that, for various reasons (including for example those that are fully funded) are unlikely to require capital funding in the first period of LTB funding, i.e. up to 2019). However a separate list of those future schemes should be retained.

Lack of funding shouldn't be a reason for sifting, as there are likely to be other funding streams that will come forward both in the short (e.g. Government response to Heseltine Review) and longer term.

The prioritisation methodology will include an initial value for money pass-fail test. Scheme sponsors must be able to demonstrate at this first stage that a scheme will be able to ultimately represent "at least high value for money" in DfT terms (a BCR >2) when a full business case is undertaken.

### **The spreadsheet**

The seven objectives for the assessment of policy and strategic fit are to be scored on a scale of 0-3. This 0-3 point scale will therefore be consistent with the Impact/Benefit assessment in the next element of the spreadsheet. In the context of the objective of improving the natural and built environment some impacts may be regarded as negative. However, given that any scheme will be likely to include measures to mitigate these impacts, then the overall assessment will be considered to be neutral in these instances.

The spreadsheet allows for the seven objectives to be weighted. Officers are keen to retain an approach that allows the policy and impact scores to be summed, as these weightings have been



previously agreed. The weightings will therefore be retained within the methodology to allow overall policy and strategic fit to be calculated.

The yes/no questions on LTB indicators are helpful and can be readily assessed within the timeframe of this commission. The following minor changes are to be incorporated:

- the increase in bus patronage criterion is to be weighted equally to the increase in other modes;
- the CT and taxi patronage indicators are to be removed
- the mode share to schools indicator is to be removed.

Within the Impact/Benefit assessment, clarity is required on the difference between “Strategic Region Wide” impact, and “Regional” impact. The higher level impact is to be changed to “National” impact.

Within the Impact/Benefit assessment, clarity is required on the classification of development or regeneration areas. This is to be revised to reflect national designations (e.g. Enterprise Zones); local designations (e.g. identified with a Local Plan); and those with no formal designation.

## **Deliverability**

JMP believes that understanding the deliverability of a scheme, and the risks to delivery, is of fundamental importance within the prioritisation process. The deliverability and risk assessment is therefore to be de-coupled from the policy and strategic fit elements of the methodology. Deliverability is to be assessed independently of other considerations, and will be scored on a RAG scale. The nature of significant risks can then easily be presented to SEMLTB, allowing “show stopping” risks to be identified, and allowing decision makers to decide whether other risks are acceptable or not. A RAG assessment on a four point scale is to be used, with green (no or very limited risks to delivery); amber (risks are present, but proportional to the stage of development of the project); red/amber (risks are significant and disproportionately high given the stage of development of the project); and red (very high risks verging on undeliverable).

The risk assessment section of the spreadsheet, which appears to allow only one “combined risk” to be assessed, will not be used in scheme assessment.

## **Cost and affordability**

The presentation of the cost of schemes can be simplified. A straight forward identification of total scheme cost is to be provided. It is useful to retain the separate identification of local contributions and the source of such contributions, and also to separately identify how much of the total cost is risk layer or quantified contingency.



## Value for money

It is a requirement of the SEMLTB Assurance Framework that any prioritised scheme meets minimum thresholds of BCR, as defined by the DfT. In terms of value for money, in taking a decision to prioritise a scheme the SEMLTB should have confidence that the scheme in question can deliver a BCR >2 when a full business case is prepared following prioritisation, or at least be aware of any risks that a scheme may not ultimately represent high value for money (and therefore be undeliverable) when making that decision.

This recommended approach to value for money assessment will require scheme sponsors to identify, or provide an understanding of, any work that has been undertaken to identify the likely benefits and costs of the scheme. In terms of benefits, scheme sponsors should consider both the transport economic benefits and other monetised benefits traditionally associated with transport scheme appraisal, and any wider economic benefits that are likely to accrue from the scheme. Quantification of some of the evidence required to complete the Impact-Benefit Assessment within the spreadsheet should provide some of this evidence. Scheme sponsors should consider this relationship between scheme benefits and scheme costs over the appraisal period, as it is this relationship, enabling a scheme to ultimately represent “at least high value for money” in DfT terms (a BCR >2) that is important to understand.

Officers are keen that the methodology should be supplemented with some local measure of quality, benefit and value for money to provide SEMLTB members with more information in differentiating between schemes within the prioritisation process. Therefore, for qualifying schemes (those that pass the initial pass-fail test described above) the net BCR to the LTB<sup>1</sup> will be calculated and ranked. This reflects the importance of understanding the impact of local contributions and the value that these contributions provide to the area.

Martin Revill  
11 June 2013

---

<sup>1</sup> The net BCR to the LTB is calculated by dividing the gross benefits by the cost of the scheme to the LTB, i.e. the net cost to the LTB accounting for any local or third party contributions