

The Economic Case

1. This document should be read in conjunction with ‘*The Transport Business Case*’, which is available on the Department’s website (www.dft.gov.uk).

What is the economic case?

2. The economic case assesses options to identify all their impacts, and the resulting value for money, to fulfil Treasury’s requirements for appraisal and demonstrating value for money in the use of taxpayers’ money.
3. In line with Treasury’s appraisal requirements, the impacts considered are not limited to those directly impacting on the measured economy, nor to those which can be monetised. The economic, environmental, social and distributional impacts of a proposal are all examined, using qualitative, quantitative and monetised information. In assessing value for money, all of these are consolidated to determine the extent to which a proposal’s benefits outweigh its costs.

What questions will be asked?

4. The economic case will contribute towards the overall business case presented for consideration by ministers. Prior to this, more detailed evidence will be scrutinised by the relevant investment committee alongside the wider business case.
5. The committee will ask what economic, environmental, social and distributional impacts a proposal is expected to have, and whether these have been estimated in line with the Department’s appraisal guidance. It will also ask how strong the resulting value for money is expected to be.

Contents of the economic case

6. The expected economic, environmental, social and distributional impacts of a proposal are established through a transport study, following methods set out in the Department’s modelling and appraisal guidance (WebTAG). These are presented in an Appraisal Summary Table, providing a brief and consistent summary of expected qualitative, quantitative and monetised impacts.

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7. To assess value for money, the monetised impacts are summed to establish an initial benefit-cost ratio, which implies an initial value for money band (poor, low, medium, high, or very high). This band is then adjusted to account for impacts where qualitative or quantitative, but not monetised, information is available. This ensures that the value for money assessment of a proposal considers all its impacts, not just those which are monetised.
8. The following elements make up the minimum requirement for the economic case. These should be easily identifiable in the business case in order to demonstrate that they have been covered.
9. The table below sets out how and when these minimum requirements should be **outlined** (initial findings), **completed** (a full assessment) and **updated** (past information is verified and new information incorporated) for each iteration of the business case. Blank/no colour indicates 'optional' where evidence should be provided if relevant.

Economic case		Strategic Outline	Outline	Full
Introduction	Outline approach to assessing value for money.	C	U	U
Options appraised	A list of the options (set out in the strategic case) that have been appraised.	C	U	U
Assumptions	WebTAG sets out assumptions that should be used in the conduct of transport studies. List any further assumptions supporting the analysis.	C	U	U
Sensitivity and Risk Profile	Set out how changes in different variables affect the Net Present Value/Net Present Cost. The risk profile should show how likely it is that these changes will happen.	O	C	U
Appraisal Summary Table	See WebTAG for detailed guidance on producing the Appraisal Summary Table.		C	U
Value for Money Statement	See Value for Money guidance on producing the VfM statement.	O	C	U

Tools & Guidance

10. Sources of further guidance can be found on the Department's website (www.dft.gov.uk):

- **Treasury's Green Book**
- **WebTAG** – the Department's website for guidance on the conduct of transport studies (including transport modelling, appraisal and conducting a transport study). WebTAG also provides advice on the approach for different modes.
- **Value for Money guidance**
- **Carbon tool for local authorities** – The Department's tool to assist local authorities' assessment of the potential effects of transport interventions on carbon emissions in their area.