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XXXXXX  
XXXXXX  
Department for Transport  
Zone XXX  
Great Minster House  
76 Marsham Street  
LONDON SW1P 4DR  
Direct Line: XXXXX  
E-mail: XXXXX@dft.gsi.gov.uk

Web Site: [www.dft.gov.uk](http://www.dft.gov.uk)

22 December 2010

Dear XXXXX

Further to your email of 26<sup>th</sup> November, I have been asked to review the Department for Transport's decision in relation to your FOI request of 1 September 2010, reference F0006825. I am an independent Senior Civil Servant who was not involved with the original decision.

You initial request was for "latest Net Present Value figures for all current local authority and Highways Agency major schemes which have been accepted for programme entry and the methodology which informed the calculations."

xxx xxx of the Department for Transport (DfT) responded on 26 November 2010 informing you of the decision not to disclose the information you requested.

On 26 November you asked DfT to conduct an internal review of the decision. In your email you clarified that you were asking for net present value (NPV) data that informed the Spending Review decision about scheme programme entry.

Following my review I can confirm that the Department does hold the information you requested on 1 September 2010.

For a scheme, three NPV estimates are held:

- 1) A net-present-value figure estimated and provided by the scheme promoter (for local authority schemes).
- 2) A revised NPV estimate based on DfT's best view of the likely benefits and costs of the scheme. This is informed by scrutiny of the estimates provided by the scheme promoter. This was the latest formal NPV figure the Department had prior to the Spending Review and which typically would be used to make decisions on programme entry.
- 3) An adjusted NPV figure that adjusts the second figure to reflect emerging priorities of the current Government according to a methodology to ensure a consistent and up to date approach in making decisions about capital expenditure on major schemes.

It is the third of these figures which informed decisions taken in the Spending Review across the Department. However NPV was not used to differentiate between individual major schemes. As set out in the document "Investment in Local Major Transport

Schemes" (published on 26 October on the DfT website: <http://www.dft.gov.uk/pgr/regional/ltf/major/transport schemes/> ) Benefit-Cost-Ratio (BCR – as adjusted as per (3) above) was one of the factors determining the placing of schemes in the "Supported Pool" for Local Authority schemes.

Therefore, following my review I can confirm that the Department does hold the information you requested on 1 September 2010, but has decided that some of this information cannot be disclosed for the reasons given below.

The information that can be released is:

- The Department's methodology for calculating Local Authority scheme NPVs for use in the Spending Review. A copy of this information is enclosed.

The information being withheld falls under the exemption in section 22 of the Freedom of Information Act 2000.

In applying this exemption we have had to balance the public interest in withholding the information against the public interest in disclosure.

The attached annex A to this letter sets out the exemption in full and details why the public interest test favours withholding the information.

If you are not content with the outcome of this internal review you have the right to apply directly to the Information Commissioner for a decision. The Information Commissioner can be contacted at:

Information Commissioner's Office  
Wycliffe House  
Water Lane  
Wilmslow  
Cheshire  
SK9 5AF

Yours sincerely,

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## Annex A

Exemption in full	
<p>Freedom of Information Act Exemption – Section 22</p> <p>Information is exempt if</p> <ul style="list-style-type: none"> <li>(a) the information is held by the public authority with a view to its publication, by the authority or any other person, at some future date (whether determined or not),</li> <li>(b) the information was already held with a view to such publication at the time when the request for information was made, and</li> <li>(c) it is reasonable in all the circumstances that the information should be withheld from disclosure until the date referred to in paragraph (a)</li> </ul>	
Public interest test factors for disclosure	Public interest test factors against disclosure
<ul style="list-style-type: none"> <li>• Clarity to the public on the process and information used to inform Spending Review decisions on which schemes are funded by DfT which directly impact on users of local transport networks, communities and businesses.</li> <li>• Providing information to allow assessment the robustness of estimates used to inform decision making, particularly as the final decisions on whether some schemes are funded has yet to be made.</li> </ul>	<ul style="list-style-type: none"> <li>• A number of schemes will be subject to a competitive process in the future. The presentation of material needs to be reviewed to make sure that it doesn't reduce the effectiveness of this process.</li> <li>• Business case information for Highways Agency major schemes will be published later this year (2010) alongside the methodology for calculating NPV.</li> <li>• For local authority schemes, the business cases as submitted to the Department for Transport to support previous approval decisions should already be published on local authorities' own websites. However, in order to secure value for money, to ensure DfT funding goes as far as possible and to maximise the number of projects that can go ahead, the Department has challenged scheme promoters to review options for cost reductions and increased local-contributions. For those schemes in the supported pool, we will publish updated information once we have made final decisions in January 2011 based on best and final bids form</li> </ul>

	<p>scheme promoters. At that point we will also publish the latest information on schemes in the development pool to enable interested parties to provide their views, although final decisions on these schemes will be made by the end of 2011. For the avoidance of confusion the information release will include BCR information as DfT understood it on 26 October.</p>
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### **Decision**

DfT Ministers have committed to publish the NPV data requested – i.e., those that informed Spending Review decisions – for each scheme to an agreed timescale.

NPVs for Highways Agency schemes will be published before 31 December 2010. NPVs and BCRs for local authority schemes will be published either simultaneously with or shortly after the announcement of decisions on Supported Pool and Pre-Qualification Pool schemes at the end of January. The information is therefore due imminently.

On the question of whether to release the information ahead of the planned publication date, the balance of public interest is in favour of not disclosing now. The Department is undertaking a process of asking promoters to resubmit proposals for schemes which are subject to further decision. Publishing NPV (or BCR) figures for schemes already in the programme may prejudice this process by setting a *de facto* threshold. It could therefore reduce the likelihood of promoters delivering best value for money, directly impacting the public purse.

On balance, then, the Department has decided to withhold the requested NPV values until the planned publication date.

## Local Authority Major Schemes: Value for Money Information

The following document reports work undertaken during the Spending Review to update the value for money information held on local authority major schemes. This work was undertaken by DfT analysts to reflect recent developments in appraisal methods and to make the information on schemes as consistent as possible. This was particularly important given that the existing data was produced over a period of many years using different guidance. The updated information – one element of the overall business case – was used to inform the wider decisions made in the 2010 Spending Review and the way forward for majors programme.

The attached tables describe how the benefits and costs for each scheme were adjusted and assessed:

- The left hand side of the table sets out the estimates of benefits and costs submitted by the promoter in support of the Programme Entry business case along with a summary of the subsequent DfT scrutiny. Adjustments to benefits and costs were made to most schemes as a result of this scrutiny. Also included in this section is our assessment of the most significant non-monetised impacts that were considered in coming to an overall value for money judgment. A full assessment of the non-monetised impacts estimated by the promoter at Programme Entry can be found on the relevant local authority's website.
- The right hand side of the table sets out the adjustments to monetised benefits and costs made at the time of the Spending Review. Each of these adjustments is described in more detail below. The modelling supporting the calculation of benefits and costs of each scheme was also reviewed as part of this process. This assessment was used – alongside the adjusted BCR and non-monetised impacts – to inform judgements about the risks to value for money.

As DfT did not have access to the detailed calculations and models held by scheme promoters, high level adjustments were made to individual business cases. These adjustments were evidence based and typically informed by tests on a sample of schemes. Whilst these adjustments do not replicate the results you would obtain from applying the relevant guidance in full, they provide an indication of the scale of additional impacts and the impact that their inclusion may have on the relative value for money of different schemes. The adjustments were as follows:

- Wider impacts: unless directly estimated by the promoter, wider impacts were proxied at 10% of consumer and business benefits for those schemes in Functional Urban Areas (as defined in WebTAG unit 2.8C). Given the results of previous analysis of wider impacts this is likely to represent a conservative assumption for most schemes.
- Reliability: unless directly estimated by the promoter, reliability impacts were monetised based on the qualitative assessment of schemes at

Programme Entry. Additional benefits of 5%/10%/20% of time savings were added to those schemes with slight/moderate/significant beneficial impacts respectively. These uplifts are based on the judgement of DfT analysts but the top of the range is broadly consistent with the findings of the Eddington Review which found that reliability benefits could be worth 20-30% of time savings.

- Indirect tax: the treatment of indirect tax in the calculation of benefits and costs was adjusted to be consistent with draft guidance set out in webTAG unit 3.5.1D. This involves moving the indirect tax impacts from the denominator (i.e. costs) to the numerator (i.e. benefits) so adjustments are made to both costs and benefits. For example, where a scheme generates indirect tax the adjustment increases costs (because these revenues are not used to offset construction and operating costs) and increases benefits (because the revenues are a benefit to the wider public finances).
- Landscape: the value of landscape impacts (generally adverse) were added to benefits if they were estimated by DfT at the time of Programme Entry award. The method takes values from the ODPM report “Valuing the External Benefits of Undeveloped Land” and has been adapted to take account of factors such as existing man made features or mitigating improvements. The valuations are used in scheme appraisals to help inform the overall value for money assessment but are not applied in a formulaic manner. In the Spending Review exercise they were included as an adjustment to provide a consistent way of incorporating impacts across schemes.
- CO2: pre-existing estimates of the value of CO2 impacts were increased by 150% to proxy the impact of new values released by DECC in June 2009. The size of the uplift was informed by an analysis of schemes which had used both the new and old values. This was confirmed by a separate piece of analysis which examined the value of 1 tonne of carbon abated over a 60 year period. No adjustment was made to schemes that did not estimate CO2 impacts as part of their business case submission (e.g. because they used a “fixed demand” modelling method).

The document “Investment in Local Major Transport Schemes” published on 26 October sets out the criteria for the placing of schemes into the Supported, Development, and Pre-Qualification Pools. 8 out of the 10 schemes in the Supported Pool were selected on the basis of their Benefit to Cost Ratios based on the above calculations.