

Local Sustainable Transport Fund - Supplementary Guidance for Local Authorities Shortlisted for Large Projects

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1. Introduction

- 1.1** This guidance document is intended solely for use by local authorities bidding to the Local Sustainable Transport Fund (LSTF) that were shortlisted in July 2011 and invited to develop a business case for their large project bid. It should be read alongside the general [LSTF bidding guidance](#) published in January.
- 1.2** The final deadline for submission of all shortlisted LSTF large project business cases is by 4pm on **Tuesday 20th December 2011**. Guidance on submission of business cases and engagement with the Department can be found in the final section of this document. Funding decisions will be announced by the end of June 2012.

Business case assessment

- 1.3** The Department's assessment of business cases will continue to examine how far your proposals meet the published LSTF assessment criteria, set out below:

Proposals must meet both of the following objectives and assessments will be made of the extent to which bids deliver against each of the criteria:

- support the local economy and facilitate economic development, for example by reducing congestion, improving the reliability and predictability of journey times or enhancing access to employment and other essential services;
- reduce carbon emissions, for example by bringing about an increase in the volume and proportion of journeys made by low carbon, sustainable modes including walking and cycling.

Proposals which in addition meet some or all of the following objectives will be favourably considered in the assessment process:

- help to deliver wider social and economic benefits (e.g. accessibility and social inclusion) for the community;
- improve safety;
- bring about improvements to air quality and increased compliance

with air quality standards, and wider environmental benefits such as noise reduction; and

- actively promote increased levels of physical activity and the health benefits this can be expected to deliver.

The criteria also cover the **value for money, deliverability and affordability** of package proposals. **Proposals must meet all of the following criteria** and the more a bid delivers against each criterion, the better its chances of success:

- represent good value for money and deliver additional benefits over and above those already planned in Local Transport Plans and/or funded from alternative sources;
- be financially sustainable with benefits enduring beyond the Fund period without further DfT support, with plans, where appropriate, for any guaranteed local authority and/or external funding support;
- incorporate a credible delivery plan with realistic milestones for progressing the different elements to completion on time and within budget;
- be affordable in relation to the overall funding available and the Government's wish to maximise the number of bids it can support;
- include a commitment to make a local contribution towards the overall costs. This might include relevant resources from the local authority's formula grant, European funding, funding from a health body, funding received as part of section 106 agreements or other development related funding, Lottery funding, contributions from transport operators or civil society or private sector organisations or other sources.

Proposals which also demonstrate the following characteristics will be favourably considered in the assessment process.

- have the support of a range of community interests; and
- incorporate plans for partnership working in the design and delivery of solutions with external bodies, which could include the private sector community and voluntary sector organisations and transport operators.

Presenting the evidence

- 1.4** When making decisions on major investments, the Department will consider the evidence presented to it in a business case. The business case should be treated as a live document, built up over time, and regularly updated throughout the life of the project. It should contain all the relevant information regarding your proposed large project, presented in five cases, consistent with the [DfT Transport Business Case](#), published in April 2011.
- 1.5** The Transport Business Case considers a wide range of economic, environmental, social and distributional impacts, and not limited to those directly impacting on the measured economy, nor to those which can be monetised. The 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.
- 1.6** Bidders should present the benefits of their projects entirely within the five case Transport Business Case model – a different structure to the application form for small projects and large project initial proposals. The table below provides an illustrative guide, setting out how bidders should present their evidence across each of the five cases:

Section of business case	Required evidence
Strategic case	Evidence on how far the proposals meet the two core policy objectives of the Fund to: <ul style="list-style-type: none">• support economic growth; and• reduce carbon emissions.
Economic case	An appraisal of the economic impacts of the proposals, consistent with the principles of WebTAG, encompassing evidence against relevant secondary LSTF policy objectives (e.g. physical activity, social inclusion, air quality).
Commercial case	A brief description of the procurement strategy for the package bid.
Financial case	Evidence on financial sustainability, project costs and affordability. Accepting financial responsibility for the project going forward. Background on any local contributions.
Management case	Evidence on the delivery arrangements for the project.

- 1.7** Authorities should also include an executive summary at the front of the business case.
- 1.8** The Department recognises this is a time-limited bidding process. Authorities are therefore encouraged to embrace this framework in a proportionate way. The guidance on each of the five cases encourages promoters to provide a focused and persuasive evidence base.

Presenting funded key component bids within the business case

- 1.9** Authorities with a successful key component bid awarded funding by the Department, should consider the key component an integral part of the large project bid. All “key component” measures already in receipt of funding should be clearly identifiable from the other measures within the remainder of the large project bid. This should be the case when describing the overall large project within the strategic case and when presenting the full cost breakdown in the financial case.
- 1.10** To ensure a level playing field, all funded key component elements will be treated in the assessment process on the assumption that they are already going ahead. Therefore, bidding authorities with an approved key component should not claim economic benefits for funded elements of the project when presenting the large project benefits in the economic case.

Section of business case	Handling of key component
Strategic case	Key component presented as an integral part of the large project bid (with funded elements clearly identifiable)
Economic case	Do not present the benefits or costs for successful key component elements
Commercial case	Key component presented as an integral part of the large project bid
Financial case	Key component bids already in receipt of funding should be easily identifiable
Management case	Delivery plan should relate to realising the complete large project package (i.e. including any key components).

2. Strategic case

2.1 The strategic case should demonstrate the case for change – that is, a clear rationale for making the investment. The case should also demonstrate how the investment will address the transport problems in your local area, and a clear strategic fit with the core objectives of the Fund (supporting economic growth and carbon reduction). Chosen interventions should be coordinated and mutually supportive – areas which seem to have adopted a scattergun approach are unlikely to be successful. The strategic case should therefore “tell the story”, showing a logical progression:

- describing the transport problems and barriers to economic growth and carbon reductions;
- setting clear objectives, derived from the transport problems identified;
- considering a range of potential solutions that meet the project objectives;
- providing a detailed description of and rationale for the proposed package measures;
- explain how the different measures are coordinated and how together they tackle the transport problem(s) identified;
- demonstrating how the proposed package addresses the project objectives and the assessment criteria for the Fund.

2.2 The strategic case should clearly describe the problem(s) the project is designed to address, and provide the reader with an understanding of what would happen if LSTF funding was not forthcoming and the problems that would need to be addressed within existing transport budgets. This should be supported by quantitative data where possible – observed or modelled, which illustrates current travel patterns in the project area. As presented in your initial proposal, further background should be provided on the economic, environmental and social issues in the geographical area covered by the bid, including plans for housing and other major developments and the role of transport in addressing these issues.

2.3 The bid should clearly present the additional benefits that the LSTF project will deliver, over and above those already planned in Local Transport Plans and/or funded from alternative sources. This can be

achieved by explaining the implications for future transport investment and outcomes if the proposal was not successful in securing funding.

- 2.4** The strategic case provides the greatest emphasis for proceeding with a project at an early stage, and should explain the decision-making process as to how you arrived at your preferred package. Bidding authorities should have already outlined the process in their “initial proposal” document submitted in June. However, large project businesses cases will need to provide a more detailed description of the development of the package proposals, presenting a logical progression from the identification of problems to the rationale for the solutions selected.

Early Assessment and Sifting Tool (EAST)

The [Early Assessment and Sifting Tool \(EAST\)](#) is a tool that has been developed to quickly summarise and present evidence on options in a clear and consistent format. It presents relevant, high level, information enabling an early view to be taken on how options perform and comparisons to be drawn. Whilst not mandatory, we recommend that bidding authorities apply EAST to their own options appraisal to help demonstrate a clear and logical progression to their preferred solution for their large project. This tool is new and the Department would welcome feedback on both the tool and the guidance by email to: strategy.unit@dft.gsi.gov.uk

- 2.5** A description of the large project bid should be provided, describing each of the package measures in detail, and the rationale for their inclusion in the overall package. Bids will be viewed favourably where they present a coherent package of complementary and mutually supporting measures that successfully address the transport problems and project objectives. A map illustrating the package proposals and the geographical area should also be included.

Supporting economic growth and reducing carbon emissions

- 2.6** The strategic case must clearly demonstrate what the expected impacts and outcomes will be in terms of meeting the two core strategic objectives of the LSTF, which are:

- to support the local economy and facilitate economic development, for example by reducing congestion, improving the reliability and

predictability of journey times or enhancing access to employment and other essential services; and

- to reduce carbon emissions, for example by bringing about an increase in the volume and proportion of journeys made by low carbon, sustainable modes including walking and cycling.

Compliance with the remaining policy objectives outlined in paragraph 26 of the general [LSTF bidding guidance](#) should be presented in the economic case within the WebTAG appraisal framework (see section on economic case below for further details).

Supporting economic growth

2.7 Evidence should be provided on the impacts of the large project package on economic growth, starting from the year before the measures come into operation. This section should identify how the transport problems you have identified hinder economic growth in the study area and how the package measures will help overcome these barriers.

2.8 Proposals might support economic growth in a number of ways, for example:

- supporting jobs and business through effectively tackling the problems of congestion;
- improving the reliability and predictability of journey times;
- improving the local retail environment to attract inward investment and increased footfall;
- revitalising town centres;
- enhancing access to employment and development sites;
- increasing the pool of labour available to employers.

2.9 Proposals that claim to enhance access to employment should be supported by evidence (e.g. market research) that there is a fit between the target labour market and available jobs.

2.10 At the same time, proposals should bring about changing patterns of travel behaviour and greater use of more sustainable transport modes and so deliver a reduction in carbon and other harmful emissions.

Cleverly targeted, modest investments can often bring disproportionate benefits.

2.11 Your explanation of the economic benefits of the package should draw on quantitative findings from the economic analysis undertaken in the economic case, such as time savings for businesses and commuters, journey time reliability and productivity improvements. Clearly, this will depend on the nature of the package proposals. Some suggested metrics are outlined below – you may well wish to add others:

- Number of trips per annum and the proportion of trips by different modes
- Overall vehicle mileage per annum
- Average length of trip per annum
- Decongestion benefits

Consideration should then be given to the local economic benefits that flow from the proposed measures.

2.12 Bids will be considered favourably in the assessment process where they demonstrate evidence of proactive engagement and partnership working with the local business community (e.g. local enterprise partnerships and local employers). Engagement should ideally stretch beyond letters of endorsement, highlighting evidence of feedback or active participation on the part of the business community in the design and delivery of the package proposals.

2.13 The narrative should present background on the major developments (e.g. new housing or commercial premises) taking place and their influence on current and future demand for transport in the study area. In some cases these developments will be dependent on a successful LSTF bid. Evidence of this dependency should be provided as part of the bid.

Reducing carbon emissions

2.14 The strategic case should also demonstrate how the bid helps to reduce carbon emissions. A WebTAG compliant assessment of the carbon impacts of the overall package must be provided.

2.15 Those bidders not using TUBA (see paragraph 3.12 below) may wish to make use of the [Local Authority Basic Carbon Tool](#) to help assess the

potential effects of their packages on carbon emissions. The tool brings together in one place central research and data on local transport and carbon and simplifies carbon appraisal guidance. Use of the tool is not mandatory; it is for local authorities to decide what tools and evidence best meet the criteria and objectives of the Fund in the context of their overall bids.

- 2.16** The tool supports Local Authorities in making their own decisions about the carbon benefits of small scale interventions and enables them to input their own assumptions and data from the best estimates of take-up and effects for your areas. As with all tools of this type, realistic outputs are dependent upon realistic assumptions, and bidding authorities using the tool should outline their baseline assumptions in simple bullet points alongside the results of their analysis.

LSTF Resource Library

The [LSTF Resource Library](#) provides links to a range of studies and evaluations of sustainable transport measures and their potential benefits. Bidding authorities are welcome to draw on these resources. In doing so, bids should give consideration to whether and how the benefits could be transferred and brought to life in their own particular areas by considering the parallels between the case study and the business case proposals.

Behaviour change

- 2.17** The Local Sustainable Transport Fund provides an opportunity for local authorities to reflect on how best to engage different segments of the population and businesses in order to better promote their travel choices with a view to achieving sustainable transport outcomes which contribute to economic growth and carbon reduction. For example, by targeting employees of particular businesses; people close to a good bus service; or people who have just moved house.
- 2.18** Bidders are encouraged to consider how best to influence local travel behaviour to best meet their LSTF project and wider LTP objectives. The Department has developed a [Behaviour Change Information Pack](#) which outlines some of the key questions for practitioners to consider in the development of initiatives which seek to enable changes in people's travel behaviour, for example:
- Who is your target population and what are the specific sub-groups or segments?
 - What do we know about the current travel and transport behaviour and attitudes of the different segments?

- What are the barriers to change experienced by different segments of the target population – and importantly, what are their key motivators?
- How will your proposals for promoting sustainable travel behaviours be tailored to meet the different segments of your population?

2.19 Large project bids will be viewed favourably where the bidding authority has applied the key questions contained in the Information Pack to the development of their detailed package proposals and considered how their bid might influence travel behaviour locally. Strong bids will not only demonstrate that they have tailored proposals for maximum effectiveness but also show how they have done this in a way that delivers greatest impact on the economy and carbon.

Partnership working and community participation

2.20 As stated in the general LSTF bidding guidance, the Department attaches importance to a wide spectrum of community participation in decision-making and delivery, with local authorities drawing on the ideas and expertise of the community and voluntary sector¹ and realising co-funding opportunities with the private sector and other external organisations including transport operators. The Department will treat positively in the assessment process those applications which have the support of community interests and incorporate plans for partnership working, including with the private sector.

2.21 In assessing large project bids, the Department will be looking for evidence of genuine value added to the bid through partnership arrangements, for example through added delivery expertise or advice on the design of package proposals in order to meet customer needs. There should be a clear statement of senior level support from any partner organisations. A clear explanation of the roles of partner bodies should be provided in the governance arrangements within the management case. Bidders may also wish to consider the value added to projects through community involvement.

¹ This incorporates Voluntary, Community and Social Enterprises (VCSEs) , including charities, social enterprises, cooperatives and mutuals both large and small.

3. Economic case

Overview

- 3.1** 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.
- 3.2** 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.

Presenting the economic case

- 3.3** In presenting the economic case, promoters should focus on presenting a persuasive case to ministers on the ability of the package proposals to offer high value for money, supported by a robust evidence base. In view of the limited timeframe for preparing business cases, the Department accepts that promoters will need to make use of existing models and analytical tools. We also accept that it will not be possible to use transport models to demonstrate the benefits all package elements. Alternative methods will be acceptable as set out below.
- 3.4** The expected economic, environmental, social and distributional impacts of a proposal should be established in the economic case, following the methods and principles set out in the Department's appraisal guidance ([WebTAG](#)). Promoters should refer to the latest version of WebTAG (published on 20 April 2011) and forecast assumptions should be consistent with NTEM v6.2. Results should be presented in an Appraisal Summary Table (AST), providing a brief and consistent summary of expected qualitative, quantitative and monetised impacts.
- 3.5** There are a number of WebTAG units that have "draft" or "consultation" status that do not form part of the definitive guidance. With the exception of the Appraisal Summary Table (for which the template in the "draft" unit should be used) bidders are not required to follow these units. However, bidders may want to use these units to demonstrate the potential impact of their scheme on a wider set of impacts.

- 3.6** Given the tight timescales involved in the preparation of bids, local authorities are encouraged to undertake a proportionate approach to modelling and appraisal and to place most effort on those aspects which are most significant to the business case e.g. highest cost, complex/risky elements, biggest impact. However, all authorities are strongly encouraged to provide an assessment against every impact in the AST and to provide the justification (where appropriate) for any significant diversions from WebTAG guidance. DfT is willing to discuss how these principles apply to specific schemes during the engagement period.
- 3.7** Promoters are encouraged to identify if existing transport models – e.g. developed to support Local Transport Plans or major scheme bids – are available that are able to robustly forecast changes in travel patterns and to estimate the benefits of the package. Where this is the case, use of such models is strongly advocated, however, the Department recognises that not all local authorities will have access to detailed transport models, and even if they do they may not accurately represent some of the measures contained within the bid. Bidders should use alternative methods (e.g. spreadsheet analysis) if faced with these circumstances.
- 3.8** Bidding authorities should be aware that the uncertainty associated with modelling approaches or data that do not fully meet DfT guidance may be a material factor when bids are assessed.

Material required for the economic case

- 3.9** A checklist of required appraisal and modelling material (where applicable) is available for use at Annex A. To aid navigation of the material supplied in the economic case, promoters should include a copy of this checklist at the beginning of the economic case, referencing each item with the relevant page/annex number.
- 3.10** Promoters should complete an Appraisal Summary Table (AST) and a short summary of key impacts. This should be supported by the relevant AST worksheets. When appraising projects, promoters will wish to focus their appraisal on the worksheets most relevant to their packages; some worksheets may not be applicable. For example, a business case aimed at rolling out smart ticketing may not require a landscape worksheet.
- 3.11** The appraisal should be supported by the following tables:
- Transport Economic Efficiency (TEE);
 - Analysis of Monetised Costs and Benefits (AMCB); and
 - Public Accounts (PA) tables.

Links to electronic pro formas of these worksheets will be published on the LSTF section of the DfT website.

- 3.12** The presumption is that promoters will use the TUBA programme² to calculate benefits and costs over the appraisal period. TUBA not only provides a consistent method of calculating benefits and costs but automatically produces warning messages which can be used to quality assure models. If promoters are unable to use the TUBA programme they should discuss this with DfT at an early opportunity.

Modelling

- 3.13** Promoters should consider the following general points when considering using modelling to support the economic case:

- **Data Quality:** e.g. is the survey data on which the model is based less than 5 years old?
- **Base model fit:** does the model meet DMRB/WebTAG criteria for model fit (or is sufficiently close to fitting)?
- **Supply and demand models:** are these appropriately formulated (e.g. model junctions where needed, include the right demand responses at the right level)?
- **Forecast assumptions:** have the model forecast assumptions been developed in line with WebTAG (and have appropriate sensitivity tests been carried out)?
- **Appraisal assumptions:** are the appraisal assumptions in line with WebTAG and generally appropriate (e.g. valuations, annualisation factors)?

- 3.14** Any spreadsheet based models developed to support the LSTF bid should be supplied to the Department as part of the documentation of the bid. These should be provided in working order (i.e. with cell references and calculations intact) with a clear description of all the assumptions used and their sources. If bidding authorities rely on evidence from other schemes they should provide a commentary on why this evidence is transferable and, if necessary, a description of what adjustments have been applied to reflect local conditions.

- 3.15** As part of the engagement process, DfT will where possible provide feedback views on any submitted modelling along with an assessment of how these views influence our judgement of value for money and the

² www.dft.gov.uk/tuba/

level of uncertainty associated with the business case. As this is a competition it will be for promoters to decide what work (if any) they will undertake to reflect these views or to provide new information to DfT.

Appraisal

3.16 Bids should be supported by an economic case prepared in line with WebTAG guidance. Given the characteristics of the kind of packages bidding for LSTF funding, authorities may want to give particular attention to the following issues:

- **Optimism bias:** this should be applied to capital costs in the economic case (but not in the project costs presented in the financial case). WebTAG unit 3.5.9 provides detailed guidance on what factors should inform the appropriate level of optimism bias. Most LSTF projects at this stage should be considering a level of uplift similar to a local authority major scheme applying for initial “programme entry”. Should promoters wish to consider a lower percentage, this must be justified. Guidance on how optimism bias can be mitigated is provided on the HM Treasury website at: [http://www.hm-treasury.gov.uk/d/5\(3\).pdf](http://www.hm-treasury.gov.uk/d/5(3).pdf)
- **Appraisal periods:** WebTAG guidance (Unit 3.5.4-section 5.2.5) recommends that for projects with finite lives, the appraisal period should be based on the expected asset life up to a maximum of 60 years. In a package it is possible that the asset lives of the composite elements will differ. In these circumstances bidders should appraise the schemes over the life of the longest living asset. Any renewal or re-investment costs associated with maintaining the benefits from shorter living assets should be included in the bid.
- **Longevity of impacts:** some elements of packages will include investment in intangibles e.g. travel plans, travel training. In deciding upon an appropriate lifetime for these investments, bidding authorities should consider whether the impact of these interventions can be maintained indefinitely or whether they are likely to decline over time without further investment. Assumptions should be clearly stated.
- **Maintenance and renewal costs:** maintenance and renewals costs should be clearly stated and documented. These should be included in the economic case even if these are to be absorbed from within local maintenance budgets.
- **Social and distributional impacts (SDIs):** the promotion of sustainable travel measures could have significant beneficial impacts on the vulnerable groups within society. These impacts should be considered as part of the appraisal and potentially strengthened through the use of SDI analysis.

3.17 Most bids will consist of a package of measures e.g. public transport improvements, travel plans. Bidding authorities should (where possible) submit material showing the contribution of each element to the overall package and how each elements combine to form a coherent and supportive package. This will be particularly relevant where the value for money of individual elements varies significantly and the overall assessment is sensitive to the inclusion of some elements that could potentially be removed. We appreciate that some packages will have many elements and it will not be practical to carry out tests on them all. In these circumstances bidders should provide analysis for the larger elements and sub-packages of smaller elements.

3.18 Promoters will be expected to undertake sensitivity tests as part of the appraisal. Guidance on the types of sensitivity tests that should be undertaken is provided in WebTAG units 3.15.3 and 3.15.5. The range of sensitivity tests provided will need to be decided on a case by case basis by bidding authorities themselves but they may want to consider tests to show the impact of:

- Changes in operating costs
- Higher/lower growth in demand
- Alternative development assumptions
- Uncertainties in the model, data and analysis used to prepare the bid

4. Commercial case

Overview

- 4.1** The commercial case provides evidence on the commercial viability of a proposal and the procurement strategy that will be used to engage the market. It should clearly set out the financial implications of the proposed procurement strategy. It presents evidence on risk allocation and transfer, contract timescales and implementation timescale as well as details of the capability and skills of the team delivering the project and any personnel implications arising from the project.

Commercial case requirements

- 4.2** Given that procurement is a mainstream activity for local authorities and the relatively small scale of procurements involved in implementing individual package measures, the Department wishes to work on the basis of a light touch assessment of the commercial case for LSTF business cases.
- 4.3** Bidding authorities should provide a brief description (no more than 3 pages) of the procurement strategy for the package bid. Projects are likely to involve more than one contract, therefore a description of the procurement strategy for the key package elements will be sufficient.
- 4.4** Where the implementation of packages involves partnership working, for example with transport operators or the community and voluntary sector, bids should indicate the authority's broad expectations for how risks would be shared between the parties involved.

5. Financial case

Overview

- 5.1 The financial case will need to demonstrate that the lead authority has undertaken a robust estimation of the package costs, that there is a firm strategy for providing the local contribution, and that the proposal will be financially sustainable beyond the LSTF funding period (post 2014-15).
- 5.2 Before preparing the business case, local authorities should ensure they understand the financial implications of developing the project and the need to secure and underwrite any third party contributions. Responsibility for estimating and controlling all project costs lies entirely with the bidding authority or authorities. Any cost overruns must be met by the local authority. The Department will not consider any requests for increased funding.

Cost estimates

- 5.3 Before producing cost estimates, bidding authorities should consult [WebTAG unit 3.5.9](#) for detailed information on the estimation and treatment of scheme costs. This emphasizes the importance of robust base cost estimates, including realistic inflation assumptions, the use of quantified risk assessments and the application of the appropriate optimism bias uplift.

Allowance for inflation

Bidding authorities are encouraged to consider making an allowance for inflation in the base cost of their large project package. Any allowance for inflation should be clearly stated in the financial case. The Department is not in a position to advise on inflation assumptions as there are likely to be variations depending on the types of measures being implemented as well as regional variations.

Quantified risk assessment (QRA)

Bidders are encouraged to consider the cost implications of any key risks to project by undertaking a quantified risk assessment (QRA). Full details on preparing a QRA are provided in section 3.5.9 of WebTAG. The results of the QRA should be presented in the risk register (see section on management case below for further details). Any costs identified

through the QRA process should be clearly identified both in the risk register and cost breakdown.

Optimism bias

Optimism bias should not be included in the project costs identified in the financial case, but will be taken into account in the assessment of the economic case.

Local contribution

- 5.4** Previous experience has shown that the most successful sustainable travel projects include a local financial contribution, giving the promoting authority added buy-in and demonstrating commitment to delivering a successful project. All bids must therefore include a local contribution towards the overall costs of the measures put forward. Bids must identify whether the local contribution will come from local authority sources or external partners such as health authorities and the private sector, including transport operators. The greater the overall local contribution towards the costs and the more the contribution is from the private sector and other external organisations, the more positively the bid will be considered in the assessment process.
- 5.5** The local contribution should be a contribution to the actual LSTF package measures that form the large project bid, as opposed to other complementary measures that are already being implemented locally. Local contributions may take the form of funding in kind such as staff time, promotional activity or office space. However the Fund is not to be used to fund general capacity.
- 5.6** The Department has intentionally set no minimum local contribution, as access to funding is likely to vary according to location and the type of project. Evidence of local commitment to the project will be the key to the Department's assessment of this particular aspect of the bid.
- 5.7** Whilst third party contributions to bids are positively encouraged, the Department is unlikely to approve projects where significant financial contributions from other sources have yet to be secured or appear to be at risk. Bidding authorities must accept full financial responsibility for meeting the proposed local contribution.

Cost breakdown

- 5.8** A detailed cost breakdown should be provided, clearly showing the costs of each package element. All successful "key components" should be clearly identifiable where they are already in receipt of grant funding.

Cost breakdowns should include all information outlined in the example below (all figures provided are illustrative only):

£m	2012/13	2013/14	2014/15	Total
Item 1				
DfT revenue	5.000	5.000	5.000	15.000
DfT capital	-	-	-	-
Local contribution	0.500	0.500	0.500	1.500
Total	5.500	5.500	5.500	16.500
Item 2				
DfT revenue	-	-	-	-
DfT capital	1.420	1.420	1.420	4.260
Local contribution	0.250	0.250	0.250	0.750
Total	1.670	1.670	1.670	5.010
Key component (already funded)				
DfT revenue	0.990	0.990	0.990	2.970
DfT capital	0.660	0.660	0.660	1.980
Local contribution	0.165	0.165	0.165	0.495
Total	1.815	1.815	1.815	5.445
Totals				
Total package cost (entire project)	8.070	8.070	8.070	24.210
Total revenue (entire project)	5.990	5.990	5.990	17.970
Total capital (entire project)	2.080	2.080	2.080	6.240
Total DfT funding requested (for this bid only)	6.420	6.420	6.420	19.260
Total local contribution (including any contribution made to the key	0.750	0.750	0.750	2.250

component bid)				
Allowance for inflation				
Cost of risks identified in quantified risk assessment (QRA)				

Financial sustainability

- 5.9** In line with all LSTF bids, the financial case should explain how the measures will be viable and benefits maintained and sustained beyond the period of the Fund without further long term DfT financial support. Where the measures are not expected to become fully financially viable in the short term, the basis for provision to be sustained after the Fund period should be explained and the expected local authority and/or external sources of future funding support stated and quantified.

Section 151 Officer sign-off

- 5.10** The financial case should be supported by the local authority's Section 151 Officer (normally the Chief Finance Officer) who should:
- confirm the accuracy of the cost estimates and that they represent the best estimates of cost based on the available information; and
 - confirm that the local authority has the means to accept the financial liability of the project going ahead, including a commitment to meet the local authority contribution proposed.

All business cases must therefore include a signed declaration from the Section 151 Officer as follows:

“As Section 151 Officer for [name of authority] I declare that the scheme cost estimates quoted in this bid are accurate to the best of my knowledge and that [insert authority name] has the intention and the means to deliver this scheme on the basis of its proposed funding contribution above, as well as meeting any ongoing revenue requirements on the understanding that no further increase in DfT funding will be considered beyond the contribution requested.”

- 5.11** In the case of joint bids, the declaration should be signed by the Section 151 Officer of each contributing local authority.

Grant payments

- 5.12** Grant payments to successful authorities will be made quarterly in arrears once a key output milestone has been successfully implemented. Claims will be made by submitting quarterly claim forms to the Department.

6. Management case

Overview

- 6.1** The object of the management case is to demonstrate how the promoting authority intends to deliver the project. It tests the project planning, governance structures, risk management, benefits realisation and assurance.
- 6.2** It should provide a clear and agreed understanding of what needs to be done, why, when and how, with measures in place to identify and manage any risks. The management case sets out a plan to ensure that the benefits set out in the strategic case are realised and will include measures to assess and evaluate them. All projects and programmes are expected to have a risk management plan. Authorities must also demonstrate that they have the capacity to oversee and deliver their proposed package bid.
- 6.3** Solid project and programme management principles must be applied throughout the development and implementation of all LSTF projects. At the start of the process, as soon as the objectives are identified, through the business case development, project implementation and evaluation of the benefits. Good project and programme management should be adopted as a means of delivering the best possible package.
- 6.4** The Department does not demand the use of any specific project or programme management methodology.
- 6.5** The Transport Business Case includes a checklist of the minimum requirements for the management case. This includes the following provisions:
- **Governance** – establish who is responsible for delivering the scheme, the roles and responsibilities of those involved and how key decisions are made.
 - **Project plan** – demonstrates that a clear project plan has been drawn up identifying the key output milestones, timescales, key dependencies
 - **Risk management** – demonstrate that the key risks have been identified and costed, and are being reviewed, managed and lessened where possible.

- **Benefit realisation** – demonstrate the project plan, metrics and baseline data for managing benefit realisation and in support of the Department's evaluation of the success of the Fund.

Governance

- 6.6** The governance arrangements for the project should provide a clear understanding as to who is involved in developing and implementing the project, their roles and responsibilities, the skills, experience and resources available to the team. All project teams should have a single named Senior Responsible Owner (SRO) – the person who will have ultimate responsibility for ensuring delivery to time and budget. The proposed governance structure should be set out in a way that describes the intended roles and responsibilities of the SRO, Steering Group, Project Manager, Project Board etc. Ideally this should be illustrated by a diagram and explanatory text.
- 6.7** This section of the management case should also clearly explain the allocation of roles and responsibilities of any partnership bodies or community groups in the development and implementation of the package measures, with the roles of partner bodies illustrated within the governance structure. It should also identify the project stakeholders and how they will be managed.

Project plan

- 6.8** All applications should include a project plan (typically in Gantt chart form) with key output milestones to measure progress towards delivery of the package components to time and budget over the period to be covered by the funding. The milestones should include key project delivery stages, approval / decision points and the provisions for independent assurance.
- 6.9** These milestones should be measures that local authorities readily identify with in monitoring progress on a local transport project and the many strands within it. The Department will, in assessing proposals, consider how far the proposed milestones are both ambitious and realistic. Successful authorities submitting grant claims to the Department will be expected to submit quarterly claim forms setting out progress against relevant milestones and other key deliverables for that period. The definition of the key output milestones should be clear and explained on a separate sheet if necessary. The critical path should be identifiable and any key dependencies should be explained.

Risk management

- 6.10** All business cases should identify and explain the key risks to delivery and planned measures for managing and mitigating those risks through a detailed risk register. Each risk should be clear about cause and effect, assessed in terms of likelihood, impact and proximity. It is important that each risk is assigned to an individual owner who is responsible for managing the risk. For the biggest risks, include a more detailed explanation of the planned contingency measures.
- 6.11** The risk assessment should clearly identify the risks left with the promoting authority. It should further identify, quantify and set out the management arrangements for risks that it is proposed will be borne by the Department.
- 6.12** All risks with cost implications should be identified through a Quantified Risk Assessment (QRA). The QRA should be proportionate to the nature and complexity of the scheme. Promoters should follow the detailed guidance in [WebTAG Unit 3.5.9](#) on how to conduct a QRA. The results of the QRA should be fed directly into the scheme costings in the management case and the appraisal presented in the economic case. It is in the bidding authority's interests that all relevant risks are identified and costed as completely as possible.

Benefit Realisation

- 6.13** All applications should have a benefit realisation strategy and plan. The plan should identify and prioritise the tangible and intangible benefits, quantify their scale and delivery timeline, identify the monitoring and reporting provisions.

Evaluation

- 6.14** The Department will be carrying out its own evaluation towards the end of the Fund period. This will require the support of local authorities from the outset in providing baseline and monitoring data relating to the specific transport challenges in their area; for example current measures of congestion problems, levels of air quality, volume and proportion of journeys by different modes and road accident data.
- 6.15** We expect promoters of large projects to play a key role in helping to evaluate the success of the Fund. All authorities bidding for large projects should indicate their willingness to assist the Department in evaluating the impacts of their eventual package. Authorities should provide a brief description of the project impacts that could contribute to

the evaluation and explain how and over what timescale they can be measured.

- 6.16** The Department will consult successful authorities in due course about the design of an evaluation framework to ensure it meets both DfT and local needs.

7. Application process

Engagement with the Department

July to December 2011 – prior to business case submission

- 7.1** DfT officials will be happy to answer any questions about this guidance, including clarification of the business case requirements. Shortlisted authorities will be given a designated contact in the Department as a first point of contact for any queries.
- 7.2** Officials from the Department would also be happy to meet with shortlisted authorities between August and early December 2011 to discuss and clarify business case requirements. However, promoters are strongly encouraged to discuss the modelling and appraisal of bids early on to ensure that any messages can be incorporated into the final bid. We intend to hold inception meetings with all shortlisted authorities in August and September to discuss these issues. Meetings will be carried out without prejudice and do not guarantee success in the assessment process.

January to May 2012 – post business case submission

- 7.3** During this time, the Department is likely to seek clarification on particular issues raised in submitted business cases, for example, to achieve an accurate assessment of value for money. This is likely to be in the form of clarification questions sent to promoters by email, who will be required to respond in within a set time period in order to enable the Department to conclude its assessment.
- 7.4** The Department may also request a meeting with shortlisted authorities to clarify any evidence presented in large project business cases.

Submission of business cases

- 7.5** The final deadline for submission of all shortlisted LSTF large project business cases is by 4pm on Tuesday 20th December 2011. Funding decisions will be announced by the end of June 2012.
- 7.6** Five hard copies of business cases and supporting material should be submitted. Electronic copies are likely to be too large to send by email,

therefore a CD copy should also be included. All materials should be sent to:

LSTF bids
Department for Transport
2/14 Great Minster House
76 Marsham Street
London
SW1P 4DR

Annex A - checklist of appraisal and modelling material

Cost Benefit Analysis

Item	Page no.
A clear explanation of the underlying assumptions used in the Cost Benefit Analysis.	
Information on local factors used. For example the derivation of growth factors, M factors in COBA and annualisation factors in TUBA (to include full details of any calculations).	
A diagram of the network (if COBA used).	
Information on the number of junctions modelled (if COBA used), for both the do-minimum and the do-something.	
Details of assumptions about operating costs and commercial viability (e.g. public transport, park and ride, etc.).	
Full appraisal inputs/outputs (when used, COBA and/or TUBA input and output files should be supplied).	
Evidence that TUBA/COBA warning messages have been checked and found to be acceptable.	
Spacial (sectoral) analysis of TEE benefits	
Details of the maintenance delay costs/savings.	
Details of any delays during construction.	

Economic Case Assessment

Item	Page no.
Assessment of Environmental impacts, to include an environmental constraints map.	
Assessment of Safety impacts and the assumed accident rates presented (COBA output should be provided if an accident only COBA has been run).	
Assessment of Economic impacts.	
Assessment of Accessibility impacts.	
Assessment of Integration impacts.	
A comprehensive Appraisal Summary Table.	
AST worksheets.	
TEE table	
AMCB table	
Public Accounts (PA) table	

Modelling (if your economic case is supported by modelling outputs, the following information should be presented)

Item	Page no.
An Existing Data and Traffic Surveys Report to include:	
Details of the sources, locations (illustrated on a map), methods of collection, dates, days of week, durations, sample factors, estimation of accuracy, etc.	
Details of any specialist surveys (e.g. stated preference).	

	Traffic and passenger flows; including daily, hourly and seasonal profiles, including details by vehicle class where appropriate.	
	Journey times by mode, including variability if appropriate.	
	Details of the pattern and scale of traffic delays and queues.	
	Desire line diagrams for important parts of the network.	
	Diagrams of existing traffic flows, both in the immediate corridor and other relevant corridors.	
An Assignment Model Validation Report to include:		
	Description of the road traffic and public transport passenger assignment model development, including model network and zone plans, details of treatment of congestion on the road system and crowding on the public transport system.	
	Description of the data used in model building and validation with a clear distinction made for any independent validation data.	
	Details of the trip matrix building process, including details of how observed data were factored and merged and how synthetic estimates have been developed and used.	
	Evidence of the validity of the networks employed, including range checks, link length checks, and route choice evidence.	
	Details of the segmentation used, including the rationale for that chosen.	
	Validation of the trip matrices, including estimation of measurement and sample errors.	
	Details of any 'matrix estimation' techniques used and evidence of the effect of the estimation process on the scale and pattern of the base travel matrices.	
	Validation of the trip assignment, including comparisons of flows (on links and across screenlines/cordons) and, for road traffic models, turning movements at key junctions.	
	Journey time validation, including, for road traffic models, checks on queue pattern and magnitudes of delays/queues.	
	Detail of the assignment convergence.	
	Present year validation if the model is more than 5 years old.	
	A diagram of modelled traffic flows, both in the immediate corridor and other relevant corridors.	
A Demand Model Report to include:		
	Description of the demand model.	
	Description of the data used in the model building and validation.	
	Details of the segmentation used, including the rationale for that chosen. This should include justification for any segments remaining fixed.	

	Evidence of model calibration and validation and details of any sensitivity tests.	
	Details of any imported model components and rationale for their use.	
	Validation of the supply model sensitivity in cases where the detailed assignment models do not iterate directly with the demand model.	
	Details of the realism testing, including outturn elasticities of demand with respect to fuel cost and public transport fares.	
	Details of the demand/supply convergence.	
A Forecasting Report to include:		
	Description of the methods used in forecasting future traffic demand.	
	Description of the future year demand assumptions (e.g. land use and economic growth - for the do minimum, core and variant scenarios).	
	Description of the future year transport supply assumptions (i.e. networks examined for the do minimum, core scenario and variant scenarios).	
	Description of the travel cost assumptions (e.g. fuel costs, PT fares, parking).	
	Comparison of the local forecast results to national forecasts, at an overall and sectoral level.	
	Presentation of the forecast travel demand and conditions for the core scenario and variant scenarios including a diagram of forecast flows for the do-minimum and the scheme options for affected corridors.	
	If the model includes very slow speeds or high junction delays evidence of their plausibility.	
	An explanation of any forecasts of flows above capacity, especially for the do-minimum, and an explanation of how these are accounted for in the modelling/appraisal.	
	Presentation of the sensitivity tests carried out (to include optimistic and pessimistic tests).	