

From: Nick Chard – Cabinet Member, Environment, Highways & Waste
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To: Environment, Highways & Waste Policy Overview & Scrutiny Committee – 14 September 2010

Subject: Revision of the Scheme Prioritisation System

Classification: Unrestricted

Summary: This report is presented in two parts. The first part outlines proposed changes to the mechanism by which the Integrated Transport budget is allocated during the period of Kent's third Local Transport Plan (2011-2016). The second part sets out proposals for replacing the existing Scheme Prioritisation System (SPS) with a formal value for money assessment of Integrated Transport Schemes, to be recommended for approval by the Cabinet Member for Environment, Highways and Waste.

1. Introduction

- 1.1 The Local Transport Act 2008 places a statutory duty on local authorities to prepare a Local Transport Plan (LTP), which must be in place by 1st April 2011. The LTP should contain a 'strategy', setting out the authority's key transport objectives, and an 'implementation plan', containing details of the Integrated Transport schemes it intends to deliver in order to meet those objectives. The County Council's Transport Policy Team is currently in the process of preparing Kent's draft LTP, which will be issued for public consultation later this month.
- 1.2 The Department for Transport (DfT)'s 'Guidance on Local Transport Plans', published in July 2009, states that local authorities should prepare LTP implementation plans which will make a demonstrable contribution to the National Goals for Transport.¹ The Coalition Government has yet to endorse these Goals; however they align well with the strategic challenges facing Kent and hence the proposed LTP objectives, outlined below, are closely related to them:-
- Growth Without Gridlock;
 - A Safer and Healthier County;

¹ The National Goals for Transport, as defined in the previous Government's Delivering a Sustainable Transport System (DaSTS) strategy, are to: Support Economic Growth, Tackle Climate Change, Promote Equality of Opportunity, Contribute to Better Safety, Security and Health, and Improve Quality of Life.

- Supporting Independence;
- Tackling a Changing Climate; and,
- Enjoying Life in Kent.

1.3 Local Transport Plan Guidance makes clear that the overall quality and delivery of an authority's LTP will be taken into account by the DfT in decisions on bids for challenge funding and/or major projects. It is vital, therefore, that authorities have effective mechanisms in place for allocating Integrated Transport block funding to those schemes and areas which will make the greatest contribution to local and national objectives, and which represent the highest possible value for money.

2. Allocation of Integrated Transport block funding

2.1 The existing Scheme Prioritisation System (SPS) methodology has proved a useful guidance tool for apportioning the Integrated Transport block allocation from Government. SPS enables officers to assess every scheme proposed resulting in a score. This allows comparison between one scheme and another, with the highest scoring schemes being the ones that contribute the most to national and local transport objectives.

2.2 Whilst the SPS methodology generally produces a balanced Integrated Transport programme in terms of the geographical spread of schemes across the County, there are concerns that this 'jam-spreading' approach does not always focus investment in areas where the economic, social and/or environmental challenges are greatest. It also fails to incentivise the design and delivery of complementary packages of schemes which can collectively deliver greater benefits than the sum of their constituent projects (e.g. bus priority measures, together with improved bus stop infrastructure and information).

2.3 Given the significant reduction in capital funding for transport that is anticipated over the next five-year LTP period, it is proposed that the SPS methodology is revised to achieve better value for money from the limited Integrated Transport budget. The preferred option consists of a two-stage budget allocation process, combining the objectives-led approach of SPS with a spatial element. The first stage of the process would involve dividing the annual Integrated Transport block allocation according to the proposed weightings to be applied to the Kent LTP objectives (above). The proposed weightings are illustrated in Table 1 below:-

Table 1: Proposed weighting of LTP objectives

Kent LTP objectives	Weighting
Growth Without Gridlock	45%
A Safer and Healthier County	15%
Supporting Independence	15%
Tackling a Changing Climate	15%
Enjoying Life in Kent	10%

- 2.4 Growth Without Gridlock is given the highest weighting. This is primarily on account of the pressing economic challenges facing Kent, in common with the rest of the UK, as well as the local and sub-regional challenges associated with substantial housing and employment growth in Thames Gateway Kent, Ashford, Dover and Maidstone. The low weighting for Enjoying Life in Kent reflects the fact that virtually all Integrated Transport schemes contribute to this quality of life objective.
- 2.5 The second stage of the budget allocation process would involve distributing the funding assigned to each of the Kent LTP objectives to different areas of the County, as proposed in Table 2 below:-

Table 2: Proposed spatial distribution of Integrated Transport block funding

Kent LTP objectives	Priority Area(s)
Growth Without Gridlock	Prioritise spending in the Growth Areas and Growth Points (Thames Gateway Kent, Ashford, Dover and Maidstone)
A Safer and Healthier County	Prioritise spending to tackle problem sites including Air Quality Management Areas, accident black spots, and areas with high levels of health deprivation
Supporting Independence	Prioritise spending in deprived areas (principally Dover, Gravesham, Shepway, Swale and Thanet)
Tackling a Changing Climate	Prioritise spending in the County's urban areas , particularly those with Air Quality Management Areas and congestion hotspots (principally Canterbury, Dartford, Gravesend, Maidstone, Sevenoaks and Tunbridge Wells)
Enjoying Life in Kent	Mitigate the impact of motorised transport across the County in order reduce the number of people exposed to high levels of pollution and noise and to enhance well-being and community cohesion

- 2.6 This budget allocation methodology would better enable KCC to prioritise investment in areas with the most acute transport challenges and where good value for money can be attained from the limited funding available. The methodology is presented graphically in Appendix 1.

3. Value for Money Assessment

- 3.1 As described in Paragraph 2.1 (above), SPS currently prioritises Integrated Transport schemes purely on the basis of their alignment with policy objectives. The cost of a scheme does not influence its SPS score. As a consequence, Members have expressed concern that high cost schemes which are able to deliver against a number of policy objectives are able to achieve higher scores than smaller, lower cost schemes which may have important local impacts and deliver better value for money. It is therefore proposed that Integrated Transport schemes are subjected to a Cost Benefit Analysis in place of the existing SPS assessment process.

3.2 Cost Benefit Analysis involves:

- Identifying the costs of a scheme (incorporating build cost, maintenance cost and external funding);
- Assessing the geographical extent of the scheme’s impact, its distributional effects (i.e. which social groups are affected by the scheme), and its public acceptability; and,
- Assigning the scheme a score based on relative costs and benefits (Cost Score + Impact Score = Cost Benefit Analysis Score).

3.3 It is not feasible to calculate a fully Benefit Cost Ratio (BCR) for Integrated Transport schemes due to the cost and complexity of assigning monetary values to their wide-ranging impacts. These include health and environmental impacts for which robust monetary values do not currently exist. Instead, DfT guidance on the prioritisation of small transport schemes recommends the use of proxy measures for scheme benefits and costs, which places greater emphasis on professional judgement and debate.

4. Calculating the Cost Score

4.1 Build Cost

It is proposed that schemes would be scored according to the magnitude of their total construction costs (including allowances for design work, contingency and, where necessary, land purchase) as follows:

Build Cost Magnitude		Score
Low	Less than 1% of total budget	3
Medium	1%-2% of total budget	2
High	More than 2% of total budget	1

4.2 Maintenance Cost

It is strongly recommended that a Whole Life Costing approach is taken to the calculation and appraisal of scheme maintenance costs. This would provide a realistic forecast of the scale of both revenue and capital commitments over a defined number of years. It is proposed that schemes would be scored according to the magnitude of their total maintenance costs over a ten-year period as follows:

Maintenance Cost Magnitude		Score
Low	Maintenance cost is zero	3
Medium	Maintenance cost is between 0% and 50% of build cost	2
High	Maintenance cost is more than 50% of build cost	1

4.3 External Funding

The part-funding of Integrated Transport schemes by third-parties, including developers and bus operators, can significantly improve their value for

money. The Members' Highway Fund may also qualify as external funding where appropriate in order to add value to schemes proposed by Kent Highway Services. It is proposed that schemes would be scored according to the magnitude of any third-party contribution to their overall construction cost as follows:

Third-Party Contribution Magnitude		Score
High	Third-party contribution is 50% or more of build cost	3
Medium	Third-party contribution is between 25% and 49% of build cost	2
Low	Third-party contribution is less than 25% of build cost	1

4.4 The combined scores for build cost, maintenance and external funding will give the overall Cost Score.

5. Calculating the Impact Score

5.1 Geographical extent of impact

This measure relates to the broad number of people affected by a scheme. It is proposed that schemes would be scored according to the geographical extent of their impact as follows:

Geographical Extent of Impact		Score
High	District/Countywide impact (e.g. Urban Traffic Management and Control System, bus stop improvements along a strategic corridor)	3
Medium	Community level impact (e.g. provision of local cycle network, junction improvements)	2
Low	Street level impact (e.g. interactive speed sign, footway improvements)	1

5.2 Distributional impact

Distributional impacts describe the differential impact a scheme might have on individuals, according to their income, gender, ethnic group, age, geographical location, or disability. These impacts are often overlooked due to the tendency of scheme prioritisation methodologies to focus on national LTP objectives. However, they can be an important factor in delivering local and sub-regional objectives, including reducing disparities between districts and social groups. It is therefore proposed that schemes would be scored according to their impact on the County's most deprived Lower Super Output Areas (LSOAs), as measured by the Index of Multiple Deprivation, as follows:

Distributional Impact		Score
High	Scheme has direct impacts in an area which falls within one or more of Kent's 20% most deprived LSOAs	3
Medium	Scheme has direct impacts in an area which falls within one or more of Kent's 20-60% most deprived LSOAs	2
Low	Scheme has no direct impacts in an area which falls within one or more of Kent's 60% most deprived LSOAs	1

5.3 Public acceptability

This measure captures the extent of public support for a scheme. It is proposed that Integrated Transport schemes would be scored according to the magnitude of their public acceptability as follows:

Public Acceptability		Score
High	Scheme has been proposed and/or endorsed by a Member of the County Council or District Council	3
Medium	Scheme has been proposed and/or endorsed by a Parish Council	2
Low	Scheme has been proposed and/or endorsed by Members of the Public	1

5.4 The combined scores for geographical extent of impact, distributional impact and public acceptability will give the overall Impact Score.

6. **Calculating the Cost Benefit Analysis Score**

6.1 The Cost Benefit Analysis Score is calculated by adding the Cost Score to the Impact Score. The maximum score achievable would be 18 (Cost Score of 9 added to an Impact Score of 9).

6.2 Appendix 2 provides a graphical representation of the proposed Integrated Transport budget allocation and scheme assessment process, along with its interaction with the County Council's existing scrutiny and approval procedures.

7. **Recommendations**

Members of the POSC are asked to:

1. Consider the proposed weightings to the Kent LTP objectives
2. Consider the proposed approach to allocating Integrated Transport block funding
3. Consider the proposed approach to assessing the value for money of Integrated Transport schemes

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Background Documents:

Department for Transport/Atkins, *Advice on the Prioritisation of Smaller Transport Schemes*, 2008

Department for Transport, *Guidance on Local Transport Plans*, 2009

Appendix 1: Proposed Integrated Transport budget allocation methodology

Spatial and Budget Allocation	Value for Money Ranking by Kent LTP Objective
45% 	<i>Growth Without Gridlock</i> 1 – Dartford UTMC 2 – Dover bus priority junction 3 – Gravesend pontoon
15% 	<i>A Safer and Healthier County</i> 1 – River Dour cycle route, Dover 2 – Sutton at Hone footpath 3 – Norton Knatchbull SRTS
15% 	<i>Supporting Independence</i> 1 – Margate Station access 2 – Folkestone West access 3 – New Romney ped. crossing
15% 	<i>Tackling a Changing Climate</i> 1 – Canterbury QBP infrastructure 2 – Tonbridge cycle network 3 – Ashford bus gate enforcement
10% 	<i>Enjoying Life in Kent</i> 1 – Canterbury-Chartham cycleway 2 – Dane Valley cycle routes 3 – Dartford pedestrian crossings

Growth Without Gridlock	
<i>Value for Money Ranking</i>	
1 – Dartford UTMC	£230,000
2 – Dover bus priority junction	£100,000
3 – Gravesend pontoon	£500,000
<u>Non-funded schemes</u>	
4 – Northfleet traffic calming	£172,500
5 – Sittingbourne bus stops	£100,000

Appendix 2: Proposed Integrated Transport budget allocation and scheme assessment process

