



Guidance Notes

BLACK COUNTRY STRATEGIC TRANSPORT

October 2018

This Guidance Note has been produced by the Black Country Director of Transport

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Part 1: Purpose, Structure and Operating Principles

Name

1. Black Country Strategic Transport Board.

Geography

2. The Black Country Strategic Transport Area covers the geographical boundary of the Boroughs of Dudley, Sandwell, Walsall and the City of Wolverhampton, covers 356 square kilometers and sits at the heart of England, forming the western part of the West Midlands Metropolitan Area, the largest conurbation outside London. The geography is coterminous with the Black Country Local Enterprise Partnership (LEP) boundary.
3. The main bodies with responsibility for transport are as follows:
 - Local Authority with responsibility for transportation;
 - Black Country Director of Transport;
 - Transport for West Midlands/Combined Authority;
 - Network Rail;
 - Highways England;
 - DfT;
 - Canals and Rivers Trust.

Status and Purpose of the Guidelines

4. The West Midlands Metropolitan Councils have approved the formation of a West Midlands Combined Authority (WMCA) and associated devolution deal. Tied to this will be significant sums of funding allocated specifically to transport improvements. Running in tandem to this is the existing arrangements in place for individual LEPs and associated Local Growth Fund Deals.
5. This document aims to set out guidelines for scheme promoters in order to provide a consistent approach to development, transport scheme appraisal, major transport scheme appraisal, and any transport scheme development and delivery. Ensuring a robust mechanism exists to allocate funding from the Black Country LEP Local Growth fund.
6. It is agreed that the Black Country Joint Committee would ratify all recommendations

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from the Black Country Director of Transport prior to the awarding for funding to a particular scheme.

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Part 2: Prioritisation

1. The Black Country Director of Transport (BCDoT) will provide technical and policy advice to the Joint Committee. They will co-ordinate technical views, option appraisals and strategic/ background information in relation to individual schemes or higher-level transport interventions.
2. Candidate schemes seeking funding will be identified by scheme sponsors within the LEP boundary and other external partners. Any organisation, individual or group of individuals will be able to put forward a scheme for consideration as long as it meets the following **minimum eligibility criteria** set out below.

Eligibility for Major Scheme Funding

Aim

3. The proposal must be a transport scheme to be delivered on any local highway, national motorway, railway, light rail or canal network.

Threshold

4. The **minimum** gross cost threshold for any scheme to be considered is **£2.5 million** and must be capital which creates a physical asset. Any proposal that is valued below this threshold will not be eligible for major scheme funding, but can apply through Access to Growth for funding which is aimed at smaller schemes

Scheme Types

5. A scheme could include proposals for improvements to the highway network, public transport (bus, rail and rapid transit) walking and cycling improvement or improvement to canal transport. The STB will also consider any genuine package of measures with a focused and well-defined set of aims, benefits and deliverables that includes a combination of the above modes.

Strategic Fit

6. Scheme proposals must demonstrate, as a minimum, how the scheme will affect positive change particularly for businesses within the Black Country, wider transport and economic benefits to the West Midlands, the Black Country LEP priorities and DfT wider transport objectives.

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Economic Impact

7. Proposals must clearly demonstrate a positive economic impact to the Black Country economy and the wider West Midlands Combined Authority region. Emphasis will be on economic growth and inward investment for the Black Country.

Deliverability

8. Any proposal must clearly demonstrate that it has good political, stakeholder and public support, a timetable for delivery within the funding period and must be affordable within the available devolved funding (or supplemented in part by committed third party contributions). The BCDoT will take into consideration whether a proposed scheme is being funded (in part) through other means i.e. a combination of devolved funding, Integrated Transport Block, National Productivity and Investment Fund, Better Bus Area Fund, Highways England funding, Network Rail Funding or private sector led funding stream.
9. Where major scheme funding represents one element of the proposed scheme costs, the BCDoT will require evidence of the commitment from the other funding streams.
10. All schemes must demonstrate a clear timetable for delivery before March 2021 Any scheme that cannot be delivered in this period will not be considered for funding as part of this investment period.
12. Scheme promoters will be able to apply for development funding to help create a future pipeline of schemes. Development funding will only be allocated to schemes that are listed on the attached Black Country Transport Priorities within the Black Country Joint Core Strategy or that are deemed to add significant economic benefit to a local area.
13. Development funding will only be considered for allocation from the Black Country Prioritisation list of schemes and can be delivered before March 2021.

How will an initial list of candidate schemes be identified?

14. To develop a long list of schemes, the adopted Black Country Core Strategy (BCCS) and the West Midlands Local Transport Plan (WMLTP) delivery plans, will provide the best starting points as both these documents set out the vision for transport in the Black Country and wider West Midlands up to 2026. The BCDoT will also consider the plans of Network Rail and the Highways Agency, and new schemes which can clearly

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demonstrate alignment with existing and future strategies.

15. The BCDoT will consider the outstanding transport schemes from these delivery plans against the eligibility criteria. Any schemes that haven't yet been delivered, which meet the eligibility criteria will form the basis of an initial list. The current list of schemes are detailed on the Black Country Transport Priorities.
16. Schemes will need to demonstrate that they are located within and provide a significant impact on the following cluster sites to be eligible for consideration:
 - Wednesbury to Brierley Hill
 - A454 Town to City Corridor
 - A449 City Gateway North
 - A4123
 - A34
 - West Bromwich Triangle

Sifting of initial list of schemes

17. Eligible schemes will be required to compile a ***Strategic Outline Case (SOC)***.
18. The BCDoT will require scheme promoters to develop schemes in line with these guidelines to inform the development of the SOC.
19. The BCDoT will review and assess the SOC and have the ability to call in specialist technical advice where needed.
20. The BCDoT will consider options for its investment programme which could be a third higher or lower than the indicative funding allocation. Upon reviewing the recommendations of the independent panel, the BCDoT will formally decide on which schemes it will support and inform scheme sponsors of the outcome. Successful schemes will be permitted to move onto Outline Business Case (OBC) stage and later, Full Business Case. The BC DoT will commission an independent consultant to review the modelling, Benefit Cost Ratio and Cost Estimate for each scheme.

Prioritisation Process

21. The BCDoT will be responsible for assessing and prioritising schemes to be included with the LGF programme. The information provided in the SOC will be assessed against three headline streams and a sub-set of criteria for each stream. The main headline streams are:
 - ***Strategic Fit, Economic Impact and Deliverability***

22. The set of criteria to be used against each stream will be a combination of qualitative and quantitative evidence.
23. **Stream 1 – Strategic Fit**
- Alignment with key policies and strategies, including Joint Core Strategy | LEP Transport Priorities | Market Demand
24. **Stream 2 – Economic Impact**
- Access to International Gateways and HS2* | Freight and Business Efficiency* | Access to Growth* | Access to Labour and Skills* | Business Investment | National Network and International Gateways | Access to Labour & Skills | Carbon Emissions | Social Distributional Impacts | Benefits to areas with high indices of multiple deprivation | Expected Value for Money Category
- *common to the three assurance frameworks in the West Midlands Metropolitan Area – Black Country; Greater Birmingham and Solihull; Coventry and Warwickshire
25. **Stream 3 – Deliverability (STAGE 1)**
- Development Cost | Affordability | Design Stage | Delivery Programme | Public, Stakeholder & Political Support | Delivery Risks | Statutory Instruments | Land Requirements | Planning Consent | Local Contribution | Potential funding Sources | Procurement
26. **Stream 3 – Deliverability (STAGE 2)**
- CPO (Land Costs) | CPO Cost | CPO Funding | Structures | Ground Conditions | Business Case Status | Utilities Works | Utilities Cost | TWA Orders | Side Road Orders | any relevant orders |
27. The BCDoT will place emphasis on delivery and schemes that perform well against the stage 2 criteria will be those which have addressed any significant risks to delivery relating to land, structural and utilities issues and any required statutory orders. The STB will also expect scheme sponsors to seek and secure a local contribution which will be mandatory during the investment period 2015 – 2021.
28. The level of local contribution required will be determined by the BCDoT and will be dependent on the type of scheme being proposed, but it is assumed a 10% local contribution will be required.

29. As part of the stage 2 prioritisation, a statement of the level of local contribution will be mandatory. This should be included as part of the programme entry application and reviewed again at full business case application. Those schemes achieving the highest level of contribution and addressing significant risks will score best in the process. The local contribution will require S151 sign off.
30. By using comparable assessment criteria which has been agreed at a West Midlands sub-regional level, it ensures that cross boundary schemes are being prioritised/appraised in a similar manner.

Value for Money

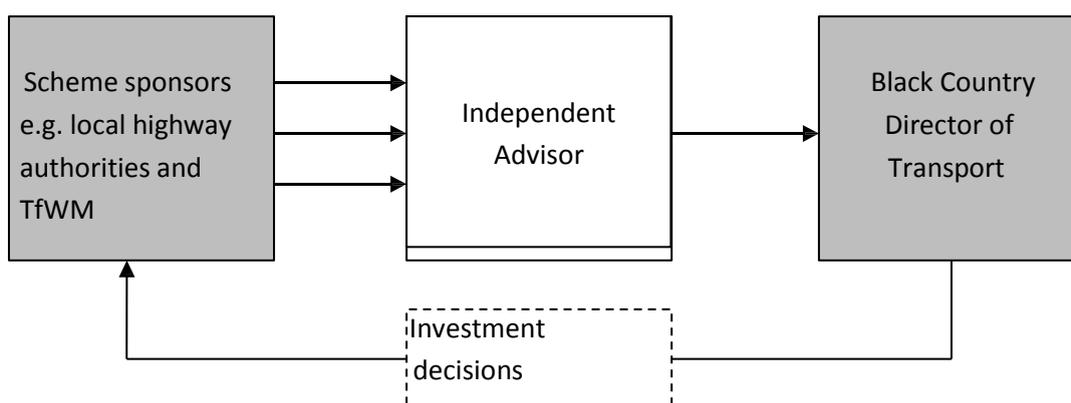
31. At the prioritisation stage, the value for money assessment will be based on qualitative evidence from the SOC. Scheme sponsors will be required to provide a robust statement on the anticipated benefits expected from a scheme proposal.

Part 3: Programme Management and Investment Decisions

Scheme Assessment and Approval

1. Scheme sponsors e.g. the four local authorities and Transport for West Midlands, will be responsible for developing scheme proposals and producing major scheme business cases (MSBCs) that are webTag compliant.
2. Each scheme approval decision by the BCDoT will be supported by an assessment of the scheme (to include a Value for Money statement), carried out independently of the promoting authority.

Fig. 1 – Scheme Assessment and Decision-Making Process



3. A staged approval process and a staged business case development process will be employed. This will enable the scrutiny of the different aspects of the business case to be made at the appropriate time. It will also ensure that BCLEP funding is not committed irreversibly before delivery of the scheme is guaranteed (e.g. legal powers are in place) or costs are finalised (e.g. contracted prices).

4. A final approval stage for major schemes, 'Full Approval', will only be made when the legal powers and any third-party contributions are in place, and final costs have been formally agreed (i.e. contracted) with a delivery partner. This funding decision is irreversible. Application for full approval status will be made after a Full Business Case (Stage-3 business case) has been completed.
5. An interim approval stage, 'Conditional Approval', can be introduced before the procurement process commences at the request of the STB e.g. to ascertain that the project delivery profile and the value-for-money assessment remains valid once the necessary statutory powers are in place. However, in most cases schemes will progress directly from programme entry status to full approval status.
6. A final approval decision will be required by the Black Country Joint Committee setting out the agreed maximum LGF contribution and the respective responsibilities of each party, including the schemes sponsor's responsibility for any cost increases and project risks. The agreement will also detail the reporting arrangements (to enable monitoring of scheme progress and management of the overall programme) and audit requirements.

The Transport Business Case

1. Scheme sponsors will be required by the Black Country DoT to develop and submit proposals that are in line with the key principles of the DfT's Transport Business Case guidance¹. This will ensure a consistency of approach built around the following five cases:
 - Strategic case – a robust **case for change** that fits with wider public policy objectives;
 - Economic case – demonstrates the **value for money** of the scheme;
 - Commercial case – demonstrates that the scheme is **commercially viable**;
 - Financial case – demonstrates that the scheme is **financially affordable**; and
 - Management case – demonstrates that the scheme is **achievable**.
2. The requirements of the Transport Business Case guidance describe the minimum requirements for the development of any major scheme. The Black Country DoT will clearly specify what, if any, additional information is required of scheme sponsors in business case documents to enable funding decisions to be made. The DoT will also set out how it will assess this information and take it into account when making its funding decisions.
3. A central requirement for scheme sponsors will be the clear articulation of scheme objectives and the intended outcomes that the scheme is intended to achieve. This will be the basis for evaluating the scheme and ultimately inform the public and stakeholder view of the scheme's success (or otherwise).
4. A 3-stage business case, including a Strategic Outline Case; Outline Business Case; and Full Business Case, will help determine the timing of the LGF funding approval applications. This only applies to LGF schemes and for Major schemes over a value of £2.5m
5. It will be for scheme sponsors to ensure that at the time the business case is submitted for approval to the BCDoT that it meets the Department for Transport's current WebTAG guidance².
6. The guidance will need to be applied proportionately, based on the cost and impact of the scheme. Each scheme sponsor will be responsible for justifying how the WebTAG guidance is applied based on their understanding of the type of scheme, traffic/public transport modelling approach, environmental impact and the social and distributional effects of the intervention(s).
7. In addition to this all transport schemes will also be required to develop and submit an Initial Proposal (IP) for Access to Growth and Development schemes and Full Business Case (FBC) for major/main schemes in accordance with the BC LEP Assurance Framework. Please refer to Section **4.16 Project Lifecycle** within the Assurance Framework Document.

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/4467/transportbusinesscase.pdf

² <http://www.dft.gov.uk/webtag/>

Value for Money

1. Scheme sponsors will also be required to conduct appraisals and value for money assessments in line with published DfT WebTAG guidance which will be presented for consideration to the LEP and the Black Country Joint Committee at each approval stage. The Black Country DoT will maintain overall responsibility for value for money.
2. The Black Country DoT will ensure that scheme traffic/public transport modelling and appraisal is robust and meets this guidance at the time a business case is submitted for each stage of approval (programme entry; conditional approval – if required; full approval).
3. The assessment of the scheme traffic/public transport modelling and appraisal will require expert resources which are independent of each scheme sponsor. This will be commissioned via the BCDoT
4. The scope of the scrutiny will be dependent on the type and scale of the scheme. All schemes will be assessed against a set of core requirements by an independent panel. These are detailed in Table 1.

Table 1: Core Scrutiny Requirements

Topic	Requirement
Modelling approach	Has the scheme promoter applied the modelling methodology that was discussed and agreed with the BCDoT/DfT at the start of business case development?
Model validation and calibration	Has the traffic or public transport model been validated and calibrated in line with WebTAG guidance?
Central case assessment	Is the central case assessment based on forecasts which are consistent with the definitive version of the National Trip End Model?
Modelling reports	Have the following reports been provided and do the reports articulate a robust case for investment: - <ul style="list-style-type: none"> • Data Collection Report; • Local Model Validation Report; • Demand Model Report; and • Forecasting Report?
Business Case	Have all five components of the business case been completed in line with STB guidance to scheme promoters: - <ul style="list-style-type: none"> • Strategic case;

Topic	Requirement
	<ul style="list-style-type: none"> • Economic case; • Commercial case; • Financial case; and • Management case?
Appraisal Summary Table (AST)	Has a completed AST been provided?
Delivery	Has an existing delivery framework been identified?
Risk	Has a QRA being undertaken using @Risk software to model the Monte Carlo simulation and obtain the P50 value?
Value for Money	Does the scheme have a value for money assessment of 'high' or 'very high' based on the information provided by the scheme promoter?
Evaluation	Has a monitoring and evaluation approach been agreed with the STB?

5. For schemes that have total costs in excess of £20 million; have a benefit cost ratio (BCR) of less than 2:1 but an adjusted value for money assessment of 'high'; or have notable local opposition to implementation, the scope of the scrutiny will be extended. This will require the external scrutiny to analyse the data presented by the scheme promoter in more detail by auditing all components of the business case and confirming (or otherwise) WebTAG compliance.
6. For these schemes, the Black Country Director of Transport will develop a scrutiny brief that is specific to the scheme in question. An independent consultant will be appointed to undertake this work in line with an agreed timetable.
7. The output of standard or extended scrutiny will be presented to the Black Country Director of Transport, who will inform the scheme promoter of the findings and make a recommendation to the BCDoT regarding further action. The recommendations are likely to be focused on the following responses:
 - Acceptance of the scrutiny findings and agreement that no further work required;
 - Further dialogue with the scheme promoter (this is likely to involve posing questions and then assessing the responses to these);
 - Additional work is specified for the scheme promoter to conduct and an appraisal of this work is undertaken on completion.
8. Any additional technical work generated by this process will be commissioned and monitored by the Black Country Director of Transport.
9. No full approval decision will be made until acceptance and approval of the independent assessment findings has been agreed by the BCDoT.

10. In order to minimise the financial impact on the LEP and local transport authorities, the Black Country DoT will explore the utilisation of intra-LEP/LTB technical support and joint procurement to resource the expert inputs required for scheme appraisal.
11. Central case assessments will be based on forecasts that are consistent with the definitive version of the Department for Transport's National Trip End Model (NTEM) and accessed using TEMPRO software. The forecasts include population, employment, households by car ownership, trip ends and simple traffic growth factors based on data from the National Transport Model (NTM).
12. This approach will be supplemented with locally-specific land use change figures set out in the Black Country Core Strategy and supporting Local Development Frameworks. These will include Black Country housing and employment growth forecasts.
13. It is essential that all large, complex and long-running projects are managed effectively. Scheme sponsors will be required to manage projects using PRINCE2 principles and techniques, with a clearly defined project structure.
14. All schemes will be subject to a formal review process at the end of each major stage of the project lifecycle. This is in addition to the regular reviews of progress which are undertaken throughout the life of the project.
15. The review findings will be reported to the scheme sponsor and the Black Country DoT.
16. Scheme sponsors will be required to seek early technical advice (i.e. at the start of business case development) from officers working on behalf of the Black Country DoT regarding modelling approach and assessing the social and distributional impacts (SDI) of schemes. These work streams can have significant lead times and the intention is that the overall approach is approved at an early stage in order to prevent any abortive work (with significant cost implications) being undertaken.
17. The Scheme Promoter will produce a Value for Money (VfM) statement for each scheme put forward for approval summarising the overall assessment of the economic case for the scheme. This statement will be in line with WebTAG guidance.
18. The VfM statement will include:
 - Value for money category of the scheme (and explanation for this);
 - Present Value of Benefits (PVB), Present Value of Costs (PVC), and Benefit Cost Ratio (BCR);
 - Summary of the benefits and costs that have been assessed, including any assumptions that influence results;
 - Assessment of non-monetised benefits; and
 - Identification of any key risks, sensitivities and uncertainties.
19. The initial value-for-money appraisal, which is based on an assessment of the scheme's monetised impacts in line with WebTAG (e.g. journey time savings and accident reductions), will result in each scheme being placed in one of five categories:

- **Very High** – where benefits are greater than 4 times costs;
 - **High** – where benefits are between 2 and 4 times costs;
 - **Medium** – where benefits are between 1.5 and 2 times costs;
 - **Low** – where benefits are between 1 and 1.5 times costs; and
 - **Poor** – where benefits are less than costs.
20. Whilst the benefit/cost ratio (BCR) (or initial VfM assessment) is not the only consideration impacting on scheme approval (scheme affordability being another key determinant, for example), the Black Country DoT policy will be to consider funding:
- Schemes with **very high** VfM; and
 - Schemes with **high** VfM.
21. Schemes with medium, low or poor VfM will not be eligible for investment. This will apply even if the scheme in question has previously been prioritised by the JC for the 2015-21 programme (the VfM assessment will change as business case progression results in more sophisticated analysis and may involve the business case development of some schemes being halted at appropriate junctures).
22. In order to articulate a comprehensive set of reasons for making an investment, the VfM assessment will ultimately need to consider the non-monetised costs and benefits of each scheme. This will involve consideration of both quantitative and qualitative assessment of scheme impacts and a judgement as to how they affect the overall VfM appraisal of the scheme.
23. Consequently, the BCDoT will take account of other compelling reasons for investing in a scheme (e.g. significant numbers of jobs created or investment unlocked) within the context of a wider VfM appraisal. This may mean, for example, that a scheme may have an initial 'medium' VfM assessment but the non-monetised benefits generated by the intervention elevate this scheme to a final 'high' VfM assessment; equally a scheme with an initial 'high' VfM assessment could have that assessment reduced when non-monetised costs are considered e.g. adverse environmental impacts.

Evaluation

1. A commitment to scheme evaluation will form a central part of any funding offer. The objective of scheme evaluation is as follows:
- Determine whether scheme benefits have been realised as intended;
 - Provide accountability for the investment;
 - Enhance the operational effectiveness of existing schemes (or future scheme extensions); and
 - Improve future initiatives based on learning.
2. The Black Country DoT will ensure schemes are evaluated (assessed for effectiveness and efficiency during and after implementation) in line with the DfT guidance³. A consistent monitoring approach (collection of data to check progress against planned targets and benefits) across all LGF supported schemes will help inform programme level analysis, enabling dissemination of good practice and lessons learnt.

3. Proportionate and targeted evaluation will be required by the BCDoT in line with DfT guidance. All scheme promoters will be required to monitor the following standard measures:

- Scheme build;
- Delivered scheme;
- Costs;
- Scheme objectives;
- Travel demand;
- Travel times and reliability of travel times;
- Impacts on the economy;
- Carbon impacts; and

³https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/9154/la-major-schemes-monitoring-evaluation.pdf

4. These measures will be reported in both a 'one year after' and a 'final evaluation report'.

5. Enhanced monitoring will be required where the LGF is contributing to a scheme of estimated total outturn costs in excess of £25 million or where impacts on the following measures are anticipated to be significant:

- Noise;
- Local air quality; and
- Accidents.

External Views on Business Cases

6. The scheme sponsor will also be required to publish and publicise their business case(s) on their own website when bids are submitted to the Joint Committee for each stage of funding approval. *When bids are submitted to the Black Country LEP to go through the 5 stage approval process.*

Release of Funding, Cost Control and Approval Conditions

7. Any funding award from the Black Country LGF will be subject to a cap and will require the promoting authority to be responsible for all cost increases post full approval. Consequently, in line with WebTAG guidance, a fully quantified risk register must inform the final scheme cost, and scheme sponsors will be encouraged to develop a register that is proportionate to the overall scheme size and risk profile.

Programme and Risk Management

8. The Black Country Joint Committee will minimise programme risk by:

- Receiving regular project and programme delivery updates at its meetings;
- Designating the Black Country Director of Transport as the named official with overall responsibility for programme management with a direct line to the Joint

9. For each scheme included in the 2015-21 programme, the scheme sponsor will provide an initial expenditure/funding profile, a project programme and a quality plan (including risk register/management plan). The programme will detail the estimated timetable for the major project stages:
 - Business case production/technical work;
 - Design (outline, preliminary, detailed);
 - Statutory orders (where necessary);
 - Stakeholder consultation;
 - Procurement;
 - Mobilisation;
 - Construction;
 - Monitoring and evaluation.

10. This information will be updated at key stages throughout the project lifecycle and reported to the PMO on a fortnightly basis via their reporting system Verto. Please refer to section **4.16.6 (b)** in the Assurance Framework Document.

11. As schemes move through the various stages of the project lifecycle, significant changes in cost, scope, risk, benefits, impact and programme may become apparent, and these may mean that it is not in the best interests of the Black Country DoT to allocate funding to the scheme in the 2015-21 period, even where the scheme has previously received programme entry approval. In this situation, and in line with its change process, the Black Country DoT reserves the right to re-prioritise the programme and bring forward a contingency scheme that is affordable and deliverable within the overall programme timescale.