
Date 6th November 2017

To Transport for Lancashire (TfL)

From Jacobs

Subject **Blackpool and Fleetwood Tramway Extension to Blackpool North Station (Full Business Case Submission)**

Introduction

Jacobs have previously undertaken a comprehensive review of the Outline Business Case (March 2016) produced by Blackpool Council in support of the Blackpool and Fleetwood Tramway Extension to Blackpool North Station scheme.

The scheme was subsequently granted 'Conditional Approval' by the LEP in April 2016, but with a number of conditions placed on the scheme.

Blackpool Council have subsequently updated the Outline Business Case to develop a Full Business Case in order to seek 'Full Approval' from the LEP (via a written decision) in December 2017.

Jacobs have undertaken a review of the Full Business Case in order to provide a recommendation on whether or not the conditions have been addressed and subsequently inform a decision on whether or not the scheme should be granted Full Approval (thus enabling the scheme to progress to the construction stage).

Scheme Description

The scheme will extend the current tramway from the North Pier tram stop on the Promenade to Blackpool North Railway Station, as illustrated in Figure 1.

The scheme is promoted by Blackpool Council and Blackpool Transport Services (BTS).

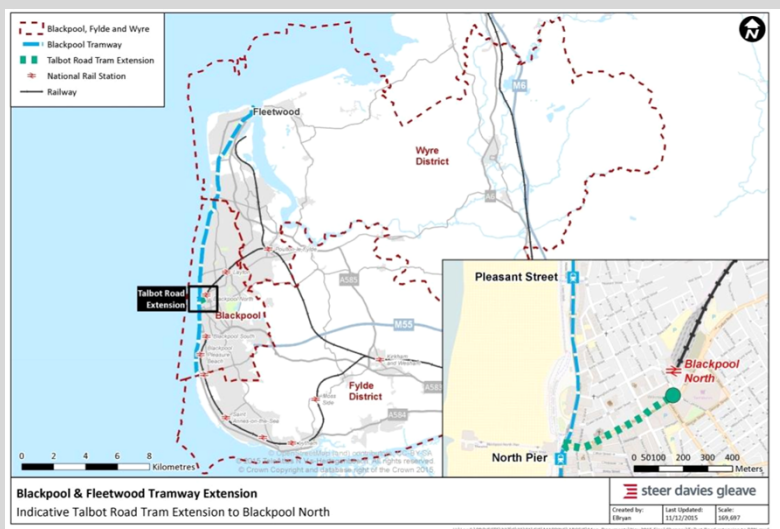


Figure 1: Scheme Location

Proposed Route

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The scheme comprises a 550m twin track extension, in a north easterly direction from the promenade, through Talbot Square and along Talbot Road, terminating at a new tram stop adjacent to the railway station, as illustrated in Figure 2.

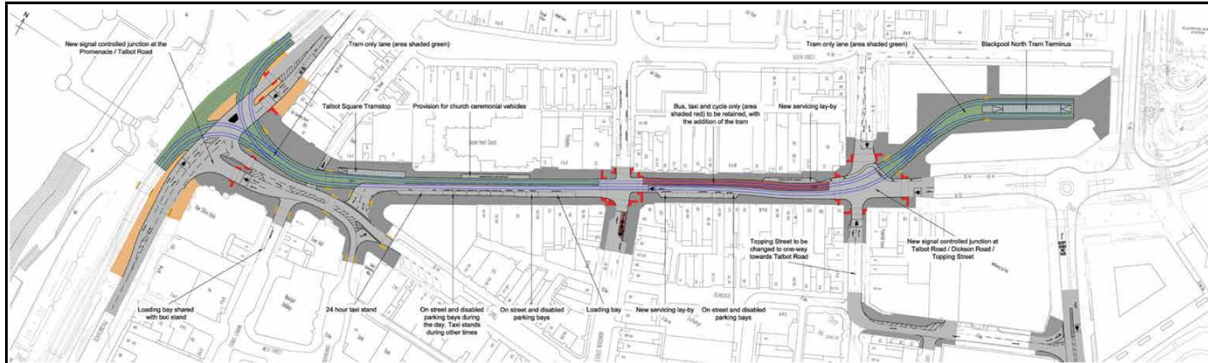


Figure 2: Proposed Route

Scheme Updates

The key tasks which have taken place since the scheme was granted Conditional Approval in April 2016 include:

1. Applying for powers to build and operate the scheme under a **Transport and Works Act Order (TWAo)** in July 2016 (*a decision from the Secretary of State is still pending but expected in Q3 2017*).
2. An order for the additional **tram vehicles** needed to operate the extension has been made (taking advantage of an option on the previous vehicle supply contract to obtain best value).
3. An order has been placed with **Statutory Undertakers** to ensure that the necessary works can be completed within the programme.
4. A **procurement exercise** has been undertaken to identify a preferred bidder (this exercise was completed in September 2017).
5. The development of the **Full Business Case**.

Methodology

As per the review of the Outline Business Case, the Full Business Case has been reviewed and assessed against the Department for Transport's (DfT) guidance on *The Transport Business Cases (January 2013)*. This approach shows whether schemes:

- are supported by a robust case for change – the '**strategic case**';
- demonstrate value for money – the '**economic case**';
- are commercially viable – the '**commercial case**';
- are financially affordable – the '**financial case**'; and
- are achievable – the '**management case**'.

The review of the Full Business Case concentrated on:

- a. Updates that had been received since the Outline Business Case was submitted.
- b. Whether the conditions placed on the scheme at Conditional Approval had been addressed
- c. Highlighting any keys risks associated with the successful delivery of the project in accordance with the Lancashire Enterprise Partnership's Assurance Framework.
- d. Identifying areas where there is insufficient evidence to demonstrate that the scheme has followed DfT best practice for the development of a major scheme.

A comments log was developed by Jacobs to record any outstanding issues that needed addressing by the scheme promoter.

A period of engagement then took place between Jacobs (independent assurer), Blackpool Council (scheme promoter) and Blackpool Council's consultants (Steer Davis Gleave) in order to address the issues in the comments log in a proportionate manner.

The comments log summarises the iterative process which has been adopted to update the Full Business Case to ensure that it is compliant with the LEP's Assurance Framework and DfT best practice guidance.

A Red-Amber-Green (RAG) rating was applied to the comments log to record when comments had been addressed.

The comments log has been appended to this document as **Annex A**.

Assurance Timeline

- **March 2016** - Jacobs undertook a comprehensive review of the scheme's **Outline Business Case**.
- **5th April 2016** - Scheme was granted **Conditional Approval** status at the LEP Board meeting, subject to 7 conditions.
- **2nd October 2017** - **Full Business Case** submitted to Jacobs for review.
- **17th October 2017** - A comments log was developed by Jacobs to record any outstanding issues that needed addressing by the scheme promoter.
- **October / November 2017** - A period of engagement then took place between Jacobs (independent assurer), Blackpool Council (scheme promoter) and Blackpool Council's consultants (Steer Davis Gleave) in order to address the issues in the comments log in a proportionate manner.
- **7th November 2017** – **LEP Board Meeting** at which the scheme sought approval for a written decision (in Dec 2017).
- **20th November** – **TfL meeting** at which the scheme is seeking a funding recommendation.
- **December 2017** – scheme to seek **LEP funding decision via a written decision**.

Key Points

- **Scheme Cost** - The total cost of works for the scheme is £23.4m (in nominal or outturn terms). The operator revenue generated over the scheme appraisal period is nearly 33% more than the operating costs, indicating a positive overall operating position.
- **Funding** - A letter from Blackpool Council's Section 151 Officer has been appended to this document as **Annex B**. The letter confirms Blackpool Council's support for the scheme and their commitment to provide a local contribution to fund the balance between the allocated Growth Deal funding (£16.4m) and the scheme cost (£23.4m) and any further overspend.
- **Scheme BCR** - The Economic Case for the scheme is strong, with the analysis presented showing that the scheme has a Benefit to Cost Ratio (BCR) of 3.07, which represents 'High' Value for Money.
- **GVA Benefits** - The scheme is forecast to generate 11,500 - 20,000 additional visitor trips to Blackpool per year, which is forecast to generate £29.5m - £50.9m of gross GVA benefits over the 60year scheme appraisal period.
- **Programme** - It is intended that the tramway extension will be opened in the Summer of 2019, with construction due between April 2018 and July 2019.

Conditions Update

When the scheme was granted Conditional Approval back in April 2016, it was subject to 8 conditions being placed on the scheme.

Each of the 8 conditions have been addressed as part of the Full Business Case update, as outlined below.

1. *Once the final scheme costs are known, the scheme funding arrangements should be reconfirmed with the LEP and reported in the Full Business Case.*

As reported in the Financial Case, a procurement exercise has been undertaken to identify a preferred bidder and consequently the scheme costs are now known (£23.4m). The funding arrangements for the scheme have not changed since Conditional Approval was granted, with £16.4m being sought from the LEP and the remaining funding (£7.0m) being provided by Blackpool Council who will also commit to underwrite any increases in scheme cost, as per the S151 letter (dated 19.10.2017) which has already been provided.

2. *There are no significant disbenefits reported in the Transport Assessment, Air Quality Assessment, Heritage Assessment and Flood Risk Assessment reports which Blackpool Council will be producing in support of the Transport and Works Act Order (TWAO), as agreed with the Secretary of State.*

The Secretary of State confirmed that an Environmental Impact Assessment was not required for the scheme. The Transport Assessment, Air Quality Assessment Report, Heritage Desk-Based Assessment and Flood Risk Assessment reports which were produced as part of the TWAO application have been reviewed and there are no significant disbenefits reported.

Key observations from each of the reports are provided below:

- Air Quality - On the basis of the construction and operational assessments carried out, the overall effect of the Proposed Scheme on air quality is not considered to be significant.
 - Heritage - The reinstatement of trams as part of the scheme is beneficial to the town and would enhance the heritage of the area by providing a link to the heyday years of Blackpool when trams last traversed the same route.
 - Flood Risk Assessment - The report concluded that the scheme would remain safe during its lifetime and would not increase flood risk within the site or elsewhere. The scheme is, therefore, considered to be acceptable in flood risk terms and meets with the requirements of the National Planning Policy Framework.
 - Transport Assessment - Traffic modelling has been undertaken to identify the impact of the scheme on the highway and its users. The effect of the scheme has been determined using industry standard junction modelling software, LinSig, PICADY and ARCADY. A total of seven junctions have been modelled. Whilst two of the junctions are shown to still be over capacity in 2019 with the scheme in place, the assessment concludes that the proposed scheme could be introduced with limited impact on the overall highway network. Furthermore, the TA concludes that the scheme can be introduced without causing significant detriment to the existing highway, the wider public transport system and its users.
3. *Provide more detailed evidence that the timetabled tram headways will remain even to ensure the forecasted scheme benefits are realised.*

In summary, the modelling represents as accurately as possible the proposed tram timetable. Headways on the extension to BPN itself are even. This has the side effect of causing some unevenness on promenade headways, however the scheme will improve the frequency of services on the promenade (between North Pier and Bispham and between North Pier and Pleasure Beach).

Passengers travelling north-south or south-north through North Pier experience even headways of 10mins per tram. Non-through passengers experience headways of one of: 10 minutes, 6 minutes or 4 minutes. The model (which was set-up to represent headways rather than detailed timetables) represents non-through passengers as all seeing an average headway of 6min 40s (i.e. a frequency of 9 trams per hour). The model will therefore be slightly over-estimating the attractiveness (benefit and potentially demand and revenue) for those passengers that in reality get a headway of 10 minutes – and under-estimating for those who get 6 and 4 minutes.

Sensitivity tests have been run in the model to establish the impact of uneven headways on tram patronage. This suggests a range of impacts from -2 to -8% patronage depending on the time period. The forecasting report concludes that the sensitivity tests show that the representation of the timetable in the modelling will be having no material influence on the value for money appraisal.

4. *Consideration should be given to the forecast rail demand growth at Blackpool North station, which should have a positive impact on the scheme BCR. In addition, there is potential to update the forecasting to use 2015 MOIRA data.*

Latest passenger numbers for the tramway and Blackpool North station have been checked. Both were found to have grown more than expected in the modelling assumptions used in the conditional approval Outline Business Case. Consequently, the demand forecasts have been updated using factors to reflect the increased observed demand and the latest growth rate forecasts.

5. *Update elements of the Distributional Impact (DI) assessment, in line with DfT guidance, to ensure it fully meets statutory requirements.*

Further analysis has been undertaken to demonstrate that the majority of the user benefits generated by the scheme are accrued to areas of Blackpool that are in the most deprived quintile, which helps make the case that the scheme contributes to a reduction in inequality. The scheme AST has been updated accordingly to reflect the results of the updated DI Assessment.

6. *Make minor updates to the GVA calculations to support the Full Business Case, although it is recognised that the economic case and value for money of the scheme is robust without these.*

The FBC reports that in addition to the conventional WebTAG cost-benefit analysis, an assessment has been made of the potential increased contribution to local GVA of spend from the increased numbers of visitors in Blackpool if the scheme is implemented. This suggests around £29.5-50.9m additional GVA over the 60-year appraisal period. The FBC has been updated to acknowledge that the reported benefits are a 'gross' GVA assessment which makes no account of deadweight, leakage or substitution of other trips potentially made from elsewhere in Lancashire. As reported previously, the scheme still represents high VfM without the GVA benefits.

7. *The Monitoring & Evaluation Plan and accompanying Benefits Realisation Plan is updated to ensure that all of the benefits reported in the business case are realised.*

A Monitoring & Evaluation Plan and accompanying Benefits Realisation Plan has been produced in line with the requirements of the LEP's monitoring and evaluation framework. The document details the processes and requirements that will be necessary to determine if the effects of the scheme have been realised.

8. *The outstanding recommendations highlighted in the RAG assessment are actioned by Blackpool Council and incorporated into an updated version of the Outline Business Case. Ideally this condition should be discharged prior to the TfL meeting on the 5th April 2016.*

This condition was discharged prior to the TfL meeting on the 5th April 2016.

Conclusions

Each of the 8 conditions placed on the scheme at the Conditional Approval stage have now been addressed as part of the Full Business Case update.

The issues highlighted with the Full Business Case, as recorded in the comments log, have been addressed in a proportionate manner.

It is our recommendation that the scheme should be granted '**Full Approval**' status, thus enabling the scheme to progress to the construction stage, subject to the following:

1. TWAO Application being confirmed by the Secretary of State (Blackpool BC are currently awaiting a response).

Appendices

Annex A – Comments Log

Annex B - Letter from Blackpool Council's Section 151 Officer