

Blackpool Tramway Extension - Full Business Case  
Assurance Comments Log

Version Control: 06/11/2017

| Section  | Assurance Comments (Jacobs 17.10.17)  | Scheme Promoter Response (24.10.17)   | Assurance Comments (Jacobs 31.10.17)   | Scheme Promotor Response (01.11.2017)  | Assurance Comments (Jacobs 06.11.17)                              |
|--|---|---|--|--|---|
| Document Purpose box   | typo - currently says this Dull Business Case instead of Full Business Case   | Updated   |  |  |   |
| Exec Summary   |   |   |  |  |   |
| 6.2  | update the % of eligible scheme costs to reflect new scheme costs   | Updated to 72% in Exec Summary.   |  |  |   |
| 6.5  | Financial Case summary says projected revenues are 50% greater than operating costs - needs updating to say 33% (as per economic case summary higher up the same page)  | Updated to 33% in Exec Summary.   |  |  |   |
|  | Need to specify the funding arrangements (i.e. the split between LEP and Blackpool) - appreciate conversations are ongoing with LEP still but for now we need to assume it will still be the allocated £16.4m from the LEP.   | It has been confirmed that the LEP allocation remains £16.4m.   |  |  |   |
| Strategic Case   |   |   |  |  |   |
| 3.2.65   | Reference added to a town centre quality corridor project on Talbot Road. Acknowledging the point raised in para 3.2.66 - please confirm how the tram extension scheme aligns / impacts with the quality corridors project which aims to encourage active modes of travel.  | Text added in paragraph 3.2.66.   |  |  |   |
| Table 3.10 (last row)  | Given the LCA option has a higher BCR you can't make the statement that the LCA is lower VIM. Instead the focus should be on the fact that the benefits are significantly lower and that it doesn't meet the scheme objectives as well. Also I would avoid saying that the scheme is not eligible for LEP funding (unless you have asked the question) Please reword this text accordingly.   | Table 3.10 updated.   |  |  |   |
| 3.5.34   | As above, can't say that the LCA option offers low VIM given the BCR < 3?   | Paragraph 3.5.34 updated as per Table 3.10.   |  |  |   |
| 3.8.19   | Is it possible to say how the scheme design was updated to incorporate the consultation concerns?   | Paragraph 3.8.19 updated.   |  |  |   |
| Economic Case  |   |   |  |  |   |
| Appendix H   | The statutory undertakers works costs (£2.1m) been removed from the economic assessment. Are all of these costs sunk? (para 5.3.1 says the work will span from October 17 - March 18)   | Footnote 2 in Appendix H updated.   | The footnote references in the table in Appendix H relate to the wrong footnote, also some of the footnotes (4-6) are missing and others need updating to ensure accuracy.   | Footnotes updated  |   |
| 4.2.21   | states that services operate along the extension at 20minute intervals. Shouldn't this be 10?   | Paragraph 4.2.21 updated.   |  |  |   |
| 4.2.23   | Please update 2nd bullet point to acknowledge that in addition to the £416k of BBC funded preparation costs spent to date, a further £95k of prep costs that will be spent by Dec 2017 have also been treated as sunk costs. This will enable the reader to follow where the £586k of prep costs referred to in Appendix H comes from.  | 2nd bullet updated.   |  |  |   |
| table 4.3  | should say to 2079 (not 2089)   | Table 4.3 updated.  |  |  |   |
| 4.4.11 / TEE table   | Please confirm why the scheme costs which are being provided by the LEP & BBC are being included as both a positive and a negative in the private sector impacts.   | Agreed with Jacobs not to change.   |  |  |   |
| Appendix D   | Distributional Impacts Stage 1 Proforma has been removed and replaced with "FBC". When this is provided, it should aim to quantify the "small changes in traffic flow" as per previous comments.  | See proforma: Air Quality and noise have more detail. Proforma in App D updated.  | The proforma states an increase of 5,155 vehicles between 2010 Do Nothing and 2010 Do Something. Is this statement correct? If so it suggests the scheme will generate additional traffic, which isn't a result of background traffic growth. Either way please provide further detail about this figure - Is it an AADT? Is this an overall increase across the entire AQMA or on a specific road? As per column (a) of the proforma, a change of 1,000 AADT on any link is considered significant. | Updated text.<br>The 5,155 vehicles was incorrectly described as growth in the pro-forma. We have amended the text to confirm there is no additional traffic due to the scheme and only redistribution on the local network. There are links with a change of more than 1000 AADT. As discussed, in previous meetings, because the air quality assessment shows no overall impact on air quality and the changes in link flows are due to minor localised traffic redistribution in a commercial area, further DI analysis would not be proportionate. |   |
| 4.7 - DI User Benefits   | The plot of user benefits has been updated. However, it is still not possible to determine what proportion of the overall user benefits are accrued by each income quintile. This is made more difficult by the fact the plot shows time savings per user: you can't tell who is making the most trips and therefore getting the most benefits. Please aim to establish the proportion of total user benefits accruing to each quintile. If it is determined that all/most of the benefits are to a single quintile, a statement should be made to that effect and included in the AST. | New plot in appendix  |  |  |   |
| 4.7 - DI Affordability   | The text in the main body of the report has been strengthened to explain that although income-deprived areas receive affordability disbenefits, this is due to them choosing to take the quicker tram rather than the cheaper and slower bus. The DI summary statement in the AST should also be updated to reflect this strengthened text.   | AST updated   |  |  |   |
| Appendix D - AST   | An entry in the Distributional Impacts column relating to your User Benefits analysis should be included for the 'Commuting and Other Users' impact.  | AST updated.  | Minor comment - AST text has been updated and now references "the area shown in the plot". AST should be able to serve as a standalone document, so reword. E.g. "Approximately 70% of user benefits are provided to the most income-deprived quintile, with less than 10% of benefits going to the least deprived two quintiles".   | AST updated  |   |
| 4.8.2  | Please include in the reporting what the 7% uplift in rail demand figure equates to in terms of additional number of visitors to Blackpool as this is key to the GVA benefit calculation.   | Paragraph 4.8.2 updated to include range of additional visitor trips.   |  |  |   |
| Sensitivity Tests  | Please include VOT sensitivity tests (as provided in email by Jon Peters) in the FBC.   | Tests added in Table 4.7. Text updated in paragraphs 4.10.11 and 4.10.14.   |  |  |   |
| table 4.7  | Having reviewed the tram boarding penalty sensitivity test we are concerned that the 6.7% drop in tram demand results in the BCR falling to 1.1. Please confirm if our understanding is correct that such a small change in demand will result in a significant negative impact on the BCR. Furthermore, is there any evidence to justify the 5 minute boarding penalty which has been applied to buses (e.g. stated preference survey results)?  | Additional text added to paragraph 4.10.13 in the FBC.  |  |  |   |
| 4.2.10   | With regards to fare structure can you please confirm if the applied changes are based on more recent fare information. Given that this change helps the mode shift and subsequently increases the benefits from transfer to tram it is important to have robust evidence for this.   | The fare structure in the base and future year models is based on the 2015 fare structure used by BTS. This structure remains in place at present; however, the most recent 2017 fare structure has redefined some long distance trips to be fare stage D instead of fare stage C. This would make a small proportion of northbound trips using the extension (only those travelling beyond Anchorsholme Lane, the stop before Cleveleys) more expensive (i.e. with less benefit and more revenue). We have run a sensitivity test on the high weekday model that shows a 0.5% reduction in patronage on the extension with the 2017 fare structure (we have not calculated the uplift in revenue). |  |  |   |
| LMVR   | We note quite a few changes to the model have been made since the OBC including introduction of additional 5 zones, change in fare structure, walk speed etc. Can clarification be provided on the rationale behind those changes, as it is not detailed in any of the reports. Has the model been re-calibrated following those changes?   | Between submission of the Outline Business Case and the Full Business Case, the opportunity was taken to improve some of the model inputs to better represent the scheme and the local area around it. For example, the fare differential between bus and tram was adjusted to better match the fact that shorter trips on bus are more expensive within the core study area along the promenade between North Pier and Pleasure Beach than they are in, for example, the Fleetwood area. Following these changes, the model was recalibrated and an improved level of calibration was achieved. The LMVR has been updated to highlight these changes.  |  |  |   |
| TR   | The Forecast Report states that no changes were made to the base values of time, else this would have altered the model calibration. If the model was actually re-calibrated including new parameters as mentioned above it is not clear why the new VOT's were not used.   | The model was originally built and calibrated using contemporary Values of Time from WebTAG. The most recent changes to WebTAG included very material changes to Values of Time, and to use these would have fundamentally changed the generalised costs within the model. This would have required a more fundamental recalibration and revalidation exercise than the light-touch recalibration described above - and we concluded that would not be proportionate.   | Ok, but acknowledged that this is a limitation of the Value for Money assessment.  |  |   |
| AST  | Please reformat so it sits on one page.   | This AST is not suitable to go on one page.   |  |  |   |
| AST / Appendix K   | Please can you provide actual TUBA output files to enable us to trace the benefits in the TEE table and AST table as some of the numbers don't seem to add up.  | AST updated. TUBA file sent separately.   | The monetary value column should report the total impact. It currently shows travel time benefits only. Please correct.  | User charge disbenefits have now been included within the Business users & transport provider NPV. User charges for consumers are shown under Affordability as is correct.   |   |
| Financial Case   |   |   |  |  |   |
| Table 5.4  | Are these 5 risks the only risks that are included in the QRA? The QRA is missing as an appendix to the Cost Report   | Text in para 5.5.2 updated to clarify that Table 5.4 shows the top 5 risks from the QRA.  |  |  |   |
| 5.5.4  | Please provide a justification for the choice of a 10% risk allowance on the construction and utilities costs   | The QRA is now appended as App 8 to the FBC.  |  |  |   |
| 5.5.3 (page 97)  | Its not clear how the 10% risk allowance in the construction cost has been derived and whether or not it is included in the £2.02m risk allowance. Please clarify as per the text in Chapter 4 of the Cost Report text. Also the paragraph numbering has gone wrong.  | Para 5.5.3 updated.<br>The 10% risk allowance is included in the £2.02m. Para numbers fixed   |  |  |   |
| 5.7  | Need to specify the funding arrangements (i.e. the split between LEP and Blackpool) - appreciate conversations are ongoing with LEP still but for now we need to assume it will still be the allocated £16.4m from the LEP.   | It has been confirmed that the LEP allocation remains £16.4m.   |  |  |   |
| 5.7  | Please include an annual spend profile showing the split between LEP spend and BBC spend - the LEP will want to see this.   | Completed as 5.7.3  | Please include the summary spend profile table which Paul Grocott circulated by email on the 20/10/17 to show the total spend profile (i.e. including BBC eligible & ineligible expenditure)   | Included   | The spend profile table has been updated to include the LEP spend |
| 5.7  | Please include a statement explaining that the additional operating costs will be covered by the projected increase in revenues (as reported elsewhere)   | Added in 5.7.5  |  |  |   |
| 5.7  | Please confirm how the maintenance costs will be covered given they are substantial (£53.9m over the 60 year appraisal period)  | Added in 5.7.6  |  |  |   |
| Commercial Case  |   |   |  |  |   |
| 6.2.22   | Is the text correct when it says EXCLUDING the design process? (given it's a D&B contract)  | excluding the design works' has been removed  |  |  |   |
| 6.2.23   | Is the £3.44m cost correct? Will the new trams have been paid for prior to Full Approval? (para 6.2.45 suggests they will have been)  | 6.2.23 updated.   | Para 6.2.23 states that 'those costs identified in the spend profile, which are eligible and incurred prior to Full Approval and at the end of 2017 amount to £9.70m'. However the Spend Profile appended to the cost report shows that the eligible costs expenditure by the end of Dec 2017 will be £8.44m. Please confirm the reason for the difference or update accordingly   | Additional column added in App H to clarify spend at Full Approval. Para 6.2.23 amended to show £8.88 eligible spend.  |   |
| 6.2.41   | Text needs updating - currently suggests you are going to include the evaluation scores   | 6.2.41 updated  |  |  |   |
| 6.2.44   | Please confirm the original procurement procedure for the additional vehicles (e.g. restricted procedure / competitive procedure with negotiation)  | As agreed, no change required in business case  |  |  |   |
| 6.2.50   | Please confirm the contractual arrangements for sharing any windfall gain received by the operator of the system (one of the procurement objectives).   | 6.2.51 added  |  |  |   |
| 6.4  | Include a statement outlining that the preferred bidder has now been selected.  | 6.4.3 updated   |  |  |   |
| Management Case  |   |   |  |  |   |
| Table 7.1  | Is Paul going to be the PM and the Senior User and the Senior Supplier?   | As agreed, no change required in business case. Paul has been in these roles before   |  |  |   |
| 7.4.7  | Please review final sentence and update the dates as necessary.   | 7.4.7 updated to remove information on holidays   | Final sentence of para 7.47 still needs updating to reflect the works will be complete by July 2019 (not April 2019).  | Updated to be July   |   |
| 7.5.20   | Text says 'further negotiation may be required with bidders following the TWA decision'. Is it possible that the preferred bidder may change following the TWAO decision (and subsequently the scheme costs would change)?  | Paragraph 7.5.20 updated.   |  |  |   |
| 7.5.31   | Refers to delay in TWAO process resulting in additional costs being included in the TWAO process - however this risk is not referenced in 7.5.36.   | This is not one of the top five risks in the QRA.   |  |  |   |
| 7.5.36   | Para 7.5.36 references the top 7 risks in the QRA, but commercial case says there are only 5 risks included in QRA. Please update to ensure consistency. As per previous comment, please provide a copy of the QRA as I assume there are more than 5 risks identified for the project. Is there a separate risk register? If so I suggest it is appended to the FBC.  | Both now reference top five risks as significant drop-off in contribution after this.   |  |  |   |
| 7.5.46   | update text to say risk workshop 'will be' undertaken   | 7.5.46 updated  |  |  |   |
| Table 7.3  | The table implies there has been no stakeholder consultation in the past 12 months - is this the case? It also implies the Project Board meetings stopped in May 2016 which I don't think is the case - please update table accordingly and ensure the table includes communication plans going forward.  | Updated T7.3<br>7.6.14 added  |  |  |   |
| Table 7.1 (p127)   | Table numbers need updating   | Update made to T7.1 to be T7.4  |  |  |   |
| 7.6.11   | The FBC refers to a 'Communications Strategy and Communications Plan'. Is this referring to the A5 Consultation Report or is there a separate document?   | 7.6.11 updated  |  |  |   |
| 7.6  | The Communication and Stakeholder Management section outlines what consultation has taken place to date but I can't see any info on what consultation will take place going forward during the construction phase, including how info will be communicated and to who. Please confirm if this info is reported somewhere or if not please look to include.  | As per 7.6.14   | The Project Communications Plan Rev. 08. (19.10.2017) which you have provided separately as a supporting document is very useful for outlining the communications plan going forward during scheme delivery. This document should be referenced in para 7.6.14 and appended (or as a minimum listed in section 1.3 of the FBC).  | Updated 1.3 to be October 2017 version and updated reference to document in para 7.6.14  |   |
| M&E Plan   | Needs including as an appendix or referencing in the other documentation section of the FBC (para 1.3).   | 1.3... Monitoring and Evaluation Plan, October 2017<br>7.7.2... updated   |  |  |   |
| M&E Plan   | Please confirm when the Baseline Report will be produced. This report should document the current conditions for all of the stated metrics (e.g. accident data, boarding figures, tram journey times) as well as highway journey times.   | 1.29 in the M&E Plan updated to ....The Scheme Baseline Report, a standalone document, illustrates baseline information before the construction of the scheme in early 2018.  |  |  |   |
| M&E Plan   | Para 4.24 states that the pedestrian survey results would be presented in the 5 years after opening report. Why wouldn't they be done sooner and reported in the 1 year after opening report?   | 4.24 in the M&E Plan updated to ....These surveys are planned to occur in these years because it will spread the data collection beyond year one, to understand what user perceptions are over the longer-term. Also, it will take time for pedestrians to appreciate the changes in urban realm and therefore, a later survey would be more suitable.  |  |  |   |
| M&E Plan   | para 4.48 - reword to say wont directly contribute to these outcomes  | 4.48 in M&E Plan - now includes 'directly'  |  |  |   |
| Summary & Conclusions  |   |   |  |  |   |
| 8.1.3 & 8.1.4  | update the 50% figure quoted to reflect latest results  | 8.1.3 and 8.1.4 updated.  |  |  |   |
| 8.1.5  | Acknowledge a procurement exercise has been undertaken and a preferred bidder identified  | Updated 8.1.5 and also in Exec Summary.   |  |  |   |
| Additional Items from the LEP Auditor meeting (Thursday 19th October 2017) |   |   |  |  |   |
| Appendix H   | Update Table in Appendix H  | Table updated   | As per previous comment, the footnote references in the table in Appendix H relate to the wrong footnote, also some of the footnotes (4-6) are missing and others need updating to ensure accuracy.  | As above   |   |
| 1.3  | Reference to cost report to be changed to rev 8 and commercial and confidential   | 1.3 updated   |  |  |   |
| Outstanding Issues   |   |   |  |  |   |
| TWAO Confirmation from Secretary of State                                  |   |   | TWAO Confirmation still outstanding (BBC currently chasing)  | n/a  | TWAO Confirmation still outstanding (BBC currently chasing)       |
| S151 Letter outstanding and LEP funding amount TBC                         |   | Appended  |  |  |   |
| Risk Register and QRA missing  |   | Appended  |  |  |   |

| Update on addressing Scheme Conditions   |  |
|--|--|
| <p><b>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.</b></p> <p>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.</p>  |  |
| <p><b>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.</b></p> <p>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.</p> <p>Key observations from each of the reports are provided below:</p> <p><b>Air Quality</b> - 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.</p> <p><b>Heritage</b> - 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.</p> <p><b>Flood Risk Assessment</b> - 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.</p> <p><b>Transport Assessment</b> - 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, LinkG, PICADY and APCADY. 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.</p> |  |
| <p><b>3. Provide more detailed evidence that the timetabled tram headways will remain even to ensure the forecasted scheme benefits are realised.</b></p> <p>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 Bingham and between North Pier and Pleasure Beach).</p> <p>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.</p> <p>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 that the representation of the timetable in the modelling will be having no material influence on the value for money appraisal.</p>  |  |
| <p><b>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.</b></p> <p>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.</p>  |  |
| <p><b>5. Update elements of the Distributional Impact (DI) assessment, in line with DfT guidance, to ensure it fully meets statutory requirements.</b></p> <p>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.</p>  |  |
| <p><b>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.</b></p> <p>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 £28.5-50.9m 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 VM without the GVA benefits.</p>  |  |
| <p><b>7. The Monitoring &amp; Evaluation Plan and accompanying Benefits Realisation Plan is updated to ensure that all of the benefits reported in the business case are realised.</b></p> <p>A Monitoring &amp; 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.</p>   |  |