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**Date**            **25<sup>th</sup> September 2015**

**To**             Transport for Lancashire (TfL)

**From**          Jacobs

**Subject**       **Blackpool Integrated Traffic Management (ITM) Scheme**

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### **Introduction**

As part of our Independent Assurance role, Jacobs have undertaken a comprehensive review of the Strategic Outline Business Case (SOBC) produced in September 2015 by Blackpool Borough Council for the Blackpool Integrated Traffic Management (ITM) scheme.

The review findings should be used to inform a recommendation on whether the scheme should be granted Full Approval status at the October Local Enterprise Partnership (LEP) Board meeting.

### **Scheme Description**

*The Blackpool ITM Scheme consists of installing 16 fully functional variable message signs, 19 parking guidance information signs with variable elements, a car park monitoring system, CCTV and 24 static parking signs.*

*Being able to disseminate information to drivers would help with traffic and event management, and help direct drivers to the most appropriate destination. The scheme would help direct drivers to available spaces and along appropriate routes making the network more efficient. This would benefit the local economy, with reduced congestion, increased dwell times, and lead to greater economic activity and job creation.*

### **Scheme Costs**

The Blackpool ITM scheme has an estimated capital cost of £2.16m (2015 prices) which will be spent over two financial years (2015/16 and 2016/17).

The proposed funding arrangements for the capital costs are as follows:

- £1.51m Local Growth Fund (70%)
- £0.65m Local Contribution from Blackpool Council (30%)

Revenue costs for the Blackpool ITM scheme have been independently estimated at £1.59m (2015 prices) over a 15 year appraisal period. This equates to revenue costs of circa £100k per annum, which in accordance with the LEP's Accountability Framework will be met entirely by Blackpool Council along with any increase in scheme capital costs.

A 20% risk allowance has been included in both the capital costs and the revenue costs to allow for any variation in costs or any potential unforeseen costs.

A letter from Blackpool Council's Section 151 Officer has been provided which confirms the above funding arrangements and the allocation of sufficient budgets. A copy of the letter is appended to this document as **Appendix A**.

## **Methodology**

The SOBC 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 that fits with wider public policy objectives – 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'.

A Red-Amber-Green (RAG) appraisal has been undertaken on each of the five cases in order to:

- a. Highlight any keys risks associated with the successful delivery of the project in accordance with the LEP's Accountability Framework.
- b. Identify areas of the SOBC where there is insufficient evidence to demonstrate that the scheme has followed DfT best practice for the development of a major scheme.

As part of the review process, Jacobs have actively engaged with the scheme promoter in order to seek clarification on any key issues associated with the SOBC. As a result of this engagement process, the key criteria for each of the five cases have been evidenced to sufficiently detailed level.

The completed RAG appraisal (including details of the updates that have been to the SOBC as a result of Jacobs' review) has been appended to this document as **Appendix B**.

## **Transport Benefits**

Three strands of transport benefits associated with the scheme have been identified that have been assessed in the Economic Case. They are:

### **1) Reduced Parking Search and Circulation Traffic Impacts**

The VMS system will direct cars directly to appropriate non-central area car parks when the central area car parks are full or nearly full. This will generate benefits to both the car occupants themselves and other drivers on the network.

### **2) Reduced Car Journey Times along the Promenade during the Illuminations**

Benefits will be realised during the illuminations period, by using the VMS to inform drivers of journey time information along the Promenade and promote the use of other modes (primarily tram) along the Promenade.

### **3) Mitigation of Delay Impacts of Incidents and Accidents on the Road Network**

The VMS system will be used to direct drivers to alternate routes, and further to use UTMIC to modify signal timings in real time in support of the VMS re-routing, in order to mitigate the impact of accidents and incidents.

The total monetised transport benefits over the 15 year appraisal period are summarised in Table 1 below.

SOURCE	DESCRIPTION	BENEFITS (£000S IN 2010 PRICES DISCOUNTED TO 2010)
Car Parking Benefits	Decongestion	220
	Time Savings	216
	Other Environmental	15
	Indirect Tax	-13
Illuminations Benefits	Time Savings	3,076
Incident Monitoring and Re-routing	Time Savings	3,317
<b>TOTAL</b>		<b>6,831</b>

**Table 1: Benefits Summary**

### **GVA Benefits**

In addition to the transport benefits, the scheme is expected to generate **Gross Value Added (GVA) benefits** for the economy of Blackpool. The GVA benefits have been calculated based on work undertaken by Amion Consulting for Blackpool Council in 2013.

There are estimated to be GVA uplift benefits of £8.1m (over the 15 year appraisal period) resulting from an assumed impact of a 0.2% uplift in visitor numbers and a 0.5% uplift in visitor spending.

Taking into account the growth in visitors and uplift in visitor spend, it is estimated that the additional anticipated spend over ten years could lead to 34 direct and indirect jobs being supported.

The GVA benefits have not been included in the core transport case but are included in an adjusted BCR used to consider the Value for Money case.

### **Scheme BCR**

The Blackpool ITM scheme BCR is as follows:

- **BCR (excluding GVA benefits) = 1.09**
- **BCR (including GVA benefits) = 2.38**

Consequently the scheme BCR rises from low VfM to high VfM with the inclusion of the GVA benefits.

It should be acknowledged that the scheme has not yet undertaken a procurement exercise.

A procurement exercise is scheduled to take place between November 2015 and January 2016. Optimism bias has subsequently been applied (in the economic case) at 200% to IT related costs and 66% to other costs, in line with DfT guidance.

Consequently if the tender costs come back in line with the scheme cost estimates then the scheme BCR would rise significantly (due to the high rate of optimism bias being removed).

## **Sensitivity Tests**

Having completed an independent assessment of the economic appraisal of the scheme, Jacobs have established the key drivers behind the VfM of the scheme. These are listed below, as well as providing the results of some sensitivity tests we have requested and undertaken in order to provide greater confidence in the VfM of the scheme.

*(N.B. All sensitivity tests have been undertaken independent of one another).*

The key drivers associated with the Economic Case for the scheme are as follows:

### **1. Increase in spend per visitor as a result of the scheme**

The GVA benefits associated with an uplift in visitor spend account for approximately 70% of the total GVA benefits (£8.1m over the 15 year appraisal period) generated by the scheme. However the mechanism by which these benefits would occur is unclear.

*If the GVA benefits associated with an uplift in visitor spend were excluded, the BCR including GVA benefits associated with an uplift in visitor numbers would fall to 1.46 (low VfM).*

### **2. Journey time benefits on the promenade as a result of the scheme**

Evidence from journey time surveys and Traffic Master data analysis shows that journey times along the Promenade are very high during illuminations times. It has been assumed that an average reduction in journey time of 10 minutes per vehicle in each direction could be achieved between 18:00 and 22:00 for all weekend (Friday-Sunday) and half term days on which the illuminations are operational. This equates to a total journey time saving over the period of the illuminations of 43,660 person hours.

The impact of altering the assumption that all vehicles travelling along the promenade during the illumination period would experience a 10 minute journey time saving as a result of the scheme has been investigated.

*If the journey time saving per vehicle was reduced to 5 minutes, the BCR (excluding GVA benefits) would reduce to 0.84 (poor VfM).*

### **3. Incident Time Savings as a result of the scheme**

There is limited evidence to underpin the assumption that the effect of an incident (which includes accidents and roadworks) is a 15 minute delay to all affected vehicles on that link.

This strand of benefits is forecast to reduce the total delay on Blackpool's road network by approximately 72 hours a day.

*If the anticipated delay associated with an incident was reduced to 10 minutes per vehicle, the BCR (excluding GVA benefits) would reduce to 0.91 (poor VfM).*

In summary, whilst the core BCR incorporating wider economic benefits does meet the TfL assurance criteria, the results of these sensitivity tests should be used to inform the level of risk surrounding the scheme's value for money and consequently inform the decision on whether or not the scheme should be granted Full Approval.

### **Conclusions**

The SOBC for the Blackpool ITM scheme has suitable evidence to sufficiently meet the criteria across each of the 5 cases using a proportionate approach.

The **Strategic Case** describes the current problems and issues associated with Blackpool's road network which the scheme would tackle. The need for the scheme and the scheme objectives have been clearly defined. The scheme objectives primarily relate to better managing levels of congestion in the town centre in order to make Blackpool more accessible for visitors. The Strategic Case is underpinned by specific aims within the LEP's Strategic Economic Plan.

The **Economic Case** presents the three sources of transport benefits as well as quantifying the GVA benefits generated by the scheme. The scheme BCR is 1.09 (excluding GVA benefits) rising to 2.38 (including GVA benefits). Three sensitivity tests have been requested and undertaken to inform the level of risk surrounding the scheme's value for money.

The **Financial Case** meets the LEP's Accountability Framework criteria of the Section 151 Officer endorsing the scheme and underwriting Blackpool's 30% local contribution to the scheme costs. The letter from Blackpool Council's Section 151 Officer also confirms Blackpool's commitment to fund all revenue costs and any increase in scheme capital and revenue costs.

The **Commercial Case** for the scheme contains details on the key risks and mitigation measures as well as detailing the intended procurement strategy which will be implemented upon confirmation of Full Approval being granted.

The **Management Case** provides details of the Project Board that will be established, which will oversee the implementation of the scheme in accordance with the Project Programme. Key stakeholders will be kept informed through established channels and at the council's Highways Consultative Forum. A Monitoring and Evaluation Plan has been provided which provides confirmation of Blackpool's commitment to monitor the success of the scheme going forward.

## **Recommendations**

The Blackpool ITM scheme has a suitable business case and meets the requirements of the LEP's Accountability Framework to fund schemes which represent high value for money, if the GVA benefits are included in the BCR calculation.

The results of the sensitivity tests should be used to inform the level of risk surrounding the scheme's value for money and consequently inform the decision on whether or not the scheme should be granted Full Approval.

Given a procurement exercise has not yet been undertaken it is recommended that a condition of Full Approval being granted is that the tender costs come back as expected.

If the tender costs do come back in line with the scheme cost estimates then the scheme BCR would rise significantly (due to the high rate of optimism bias being removed). If the tender costs vary significantly from the scheme costs presented in the Financial Case then there will be a need to revisit and update the business case accordingly before re-submitting to TfL.

## **Appendices**

Appendix A - Section 151 Officer Letter

Appendix B - RAG Appraisal