Item 3b Annex 2 - Bedford Town Centre Strategy - Value for Money Statement Summary

Bedford Town Centre Transport Strategy

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05/06/2018

VALUE FOR MONEY STATEMENT SUMMARY

BEDFORD BOROUGH COUNCIL

SYSTRA

BEDFORD TOWN CENTRE TRANSPORT STRATEGY

VALUE FOR MONEY STATEMENT SUMMARY

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1. VALUE FOR MONEY STATEMENT

1.1 Introduction

1.1.1 This section provides a value for money conclusion by considering all of the evidence pulled together as part of the Appraisal Summary Table. This provides evidence to inform the final judgement on the Value for Money category of the scheme as recommended by DfT[1]. It summaries:

- The options considered and the do-nothing scenario
- Initial and adjusted BCRs
- Non-monetised benefits
- Risks and uncertainties

1.1.2 Sensitivity tests have also been undertaken to the test the robustness of the scheme's forecasted benefits and the results of these are set out in Section 1.11.

1.1.3 Supporting tables for Public Accounts (PA), Economic Efficiency of the Transport System (TEE); and Analysis of Monetised Benefits (AMBC) are provided in the full Economic Case, to which an Appraisal Summary Table (AST) is also appended.

1.2 Summary

Options Considered

1.2.1 The do-nothing scenario would constitute the status quo in terms of the operation of the current highway network across the town centre, including current highway link and junction capacities and the absence of a functional UTMC system.

1.2.2 The package of measures assessed in the do-something scenario includes:

- Improvements in the town centre highway/public realm quality to discourage unnecessary through traffic and improve the quality of the environment for users of the town centre;
- A widespread programme of small/medium infrastructure improvements focussed on key junction pinch-points where worthwhile increases in capacity and reliability that assist all road users are justified and deliverable
- A major upgrade to existing traffic management systems across the whole Town Centre and Southern Gateway area to provide the maximum delay reductions possible, provide real-time information to drivers to support their decision-making, and to be ready to incorporate emerging/future technology on Cooperative Intelligent Transport Systems (C-ITS), Expressway driver information systems, autonomous vehicles and mobility as a service technology.

1.2.3

1.2.4

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/267296/vfm-advice-local-decision-makers.pdf

Initial Benefit Cost Ratio

1.2.5 The Initial Net Present Value (NPV) for the scheme, encompassing the direct transport user benefits is forecast to be -£12.209m, with the expected Cost Benefit Ratio of the scheme at 0.56 to 1. This is a clear demonstration that the benefits of the scheme are not singularly about enhancing traditional transport provision.

1.2.6 The initial NPV represents a quantified assessment of monetised benefits in terms of a traditional set of transport scheme impacts. Not only does it exclude a range of non-monetised impacts (discussed below) but a major element of the package of measures is also designed to the enhance the town centre urban realm to support and grow the local economy. Excluding these benefits does not provide a full assessment of the impact of the scheme.

Adjusted Benefit Cost Ratio

1.2.7 The adjusted NPV for the scheme is forecast to be around £31.887m with the expected Cost Benefit Ratio of the scheme at 2.15 to 1. This represents a high value for money category.

1.2.8 This incorporates an additional £44.2 million benefits over 30 years in relation to enhanced town centre economic retail value, as set out in Section 1.6.

1.2.9 We have taken a conservative estimate of 25% of the anticipated potential uplift in retail values as a result of the urban realm improvements. Even with this conservative estimate, these benefits are what is driving the positive BCR for this scheme and therefore we have undertaken additional sensitivity tests to account for the risk that these retail value uplifts may not be realised. Our assessment shows that a 1.85:1 BCR could be achieved if only 20% of the retail value uplift was realised.

1.2.10 A further sensitivity test incorporating this scenario as well as more conservative estimates on growth rates and the benefits of the UTMC package is presented in Section 1.11.

Non-monetised Impacts

1.2.11 In addition to the monetised benefits, the package of scheme measures is forecast to deliver a range of non-monetised impact. Those criteria for which there is anticipated to be either positive or negative impacts are summarised below, with a full analysis of outcomes for all criteria, presented within the full Economic Case.

- Economy
  - Reliability impact on Business users - High Beneficial
- Environmental
  - Regeneration - Small Beneficial
  - Townscape - Moderate Beneficial
  - Historic Environment - Small Beneficial
- Social
  - Reliability impact on Commuting and Other users - High Beneficial

- Physical activity - Small Beneficial
- Journey quality - Moderate Beneficial
- Security - Small Beneficial
- Access to services - Moderate Beneficial
- Severance - Small Beneficial
- Option and non-use values - Small Beneficial

Key Risks and Uncertainties

1.2.12 A comprehensive quantified risk assessment (QRA) has been undertaken and is included as part of the Management Case. This suggests a P80 value of £2.91m should be applied in considering financial risk at this stage of scheme development. This is 19% of the scheme costs (excluding optimism bias).

1.2.13 Since the November 2017 submission of the business case, the potential for the Housing Infrastructure Fund (HIF) scheme to come forward has increased, with BBC having been asked to prepare a business case for this highway improvement to unlock housing development land to the west of the railway station. The exact nature of this scheme is still under consideration and no firm commitment has been given that the scheme will go ahead so it is not possible or appropriate to make a full assessment of the impacts at this stage. However, the potential risks associated with joint delivery of the HIF scheme and this Transporting Bedford 2020 package of works have been included within the risk register.

1.2.14 The preliminary assessment is that these risks would have a very small impact on the overall risk profile of this scheme, adding 1% to the QRA, which would therefore result in a QRA of 20% of the total scheme costs. This would have a negligible impact on the value for money assessment and therefore we have not re-run the BCR assessment at this stage. As work on the HIF develops we will review this in time for the next funding approval and undertake a sensitivity test on the impact of the HIF scheme on the BCR if required.

1.2.15 Optimism bias has been added at 44%, recognising that although considerable work has been undertaken to develop the scheme to this stage particularly on the pinch-point elements, there is further work to do and therefore greater uncertainty on the technology elements of the UTMC.

1.2.16 The other uncertainty to note is the level of retail value uplift that may be generated from public realm improvements. Our assessment, comparing values from similar pedestrianised areas in Bedford town centre core, is that the uplift will be significant. However, as a large proportion of the benefits of this package are derived from this anticipated we have undertaken some sensitivity tests around this to demonstrate that even with a lower than anticipated retail value uplift, significant benefits would still be delivered as reported in the Adjusted Benefit Cost Ratio section above.

Assumptions

1.2.17 Assumptions made in line with WebTAG have been documented throughout this Economic Case. We have also made several assumptions about the impacts of various scheme elements as these cannot be fully captured in the standard transport modelling undertaken. This is reflective of the fact that the scheme itself is a broader town centre improvement package and not just a transport scheme.

1.2.18 The main assumptions made can be summarised as:

- Modelling approach:
  - Fixed matrices used
  - Impacts on Interpeak period, including Saturday, not modelled but assumed to be neutral impact
  - Accident benefits cannot be captured in COBALT as it the full scheme impacts are not captured in standard appraisal. Proxy of potential accident rate reduction on key Ampthill Road corridor taken. However, it is noted that this analysis has focused on one area of the scheme proposals and has not accounted for any re-distribution in traffic flows across the town centre as a result of the wider highway/UTMC proposals. On some links where additional traffic will occur this may have modest safety disbenefits that have not been calculated
- Delay reduction generated by UTMC
  - Greenfield scheme
  - Evidence of similar schemes suggests average of 23% reduction in delay. Conservative estimate of 75% of this reduction assumed for the central case (i.e. 17.3% reduction in delay at affected junctions)
  - Local Plan growth rates applied as a proxy for increase in vehicles on the network. High and low growth rates also applied in corresponding sensitivity tests
- Rateable value uplift from public realm improvements
  - Evidence from other parts of Bedford Town Centre suggests potential for over 200% uplift in value. Conservative estimate of 25% of this uplift assumed for the central case (i.e. 53% uplift in rateable values)

Sensitivity Tests

1.2.19 A summary of the two sensitivity scenarios is as follows:

- High Case
  - High growth (2021 = +7.9%, 2032 = +11.5%)
  - UTMC and Technology delay reduction = 23% of forecast delay
  - Retail benefits attributed to public realm enhancements = 30% of differential in rateable values from High Street to Core Town Centre
- Low Case
  - Low growth (2021 = -7.9%, 2032 = -11.5%)
  - UTMC and Technology delay reduction = 11.5% of forecast delay
  - Retail benefits attributed to public realm enhancements = 20% of differential in rateable values from High Street to Core Town Centre

1.2.20 A further sensitivity test was conducted to assess the impact of the retail benefits only, using the low case scenario of 20% differential in rateable values.

Benefit Cost Ratios

1.2.21 The following table summarises the impact of these risks and sensitivity tests on the BCR.

Table 1. BCRs

SCENARIO	PVC (£M)	PVB (£M)	NPV (£M)	BCR
Initial Central Case	27.79	15.58	-12.21	**0.56**
Adjusted Low case	27.79	45.74	17.95	**1.65**
Adjust Central Case with 20% rateable value uplift	27.79	51.51	23.72	**1.85**
Adjusted Central case	27.79	59.68	31.89	**2.15**
Adjusted High Case	27.79	80.54	52.74	**2.90**

1.2.22 The initial BCR is based only on the direct transport user benefits and does not fully capture the significant benefits that will be derived from the improvement to the public realm around the High Street and the subsequent impact on retail rental values and the local economy. Furthermore, it does not include a range of non-monetised impacts, particularly in relation to improved journey time reliability generated from the pinch-point schemes and introduction of UTMC.

1.2.23 The adjusted BCR presented incorporates the benefits derived from the retail rental value uplift to give a fuller appreciation of the likely benefits of the scheme. Sensitivity tests have been undertaken on this core adjusted BCR that demonstrate if only 20% of the potential retail rental value uplift was achieved, the BCR for the scheme would be 1.85:1.

1.2.24 When considering the central case adjusted BCR of **2.15:1** and including the anticipated non-monetised benefits, we consider this scheme to represent a **High Value for Money** investment.

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