



Department
for Transport

Value for Money Assessment for the Integrated Transport Block

Moving Britain Ahead

February 2016

The Department for Transport has actively considered the needs of blind and partially sighted people in accessing this document. The text will be made available in full on the Department's website. The text may be freely downloaded and translated by individuals or organisations for conversion into other accessible formats. If you have other needs in this regard please contact the Department.

Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR
Telephone 0300 330 3000
General enquiries <https://forms.dft.gov.uk>
Website www.gov.uk/dft

OGL

© Crown copyright 2016

Copyright in the typographical arrangement rests with the Crown.

You may re-use this information (not including logos or third-party material) free of charge in any format or medium, under the terms of the Open Government Licence v3.0. To view this licence visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or e-mail: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third-party copyright information you will need to obtain permission from the copyright holders concerned.

Contents

1. Introduction	4
Background	4
How the ITB is Allocated	4
2. Value for Money of the Integrated Transport Block	6
Introduction	6
Survey of Local Authorities	6
Evidence of Appraisal, Monitoring or Evaluation of ITB Interventions	9
Value for Money of Integrated Transport Block and Sensitivity Tests	13
Conclusions	14
Annex A: Local Authority ITB ProForma	15

1. Introduction

Background

- 1.1 The Integrated Transport Block (ITB) provides funding support to local authorities for transport capital improvement schemes worth less than £5 million. The ITB, one of only two transport capital grants distributed to local authorities by the Department for Transport (DfT), is not ringfenced and is spent at the discretion of local authorities. As ITB schemes are small it is not always proportionate for local authorities to develop full business cases to determine the value for money (VfM) of ITB schemes.
- 1.2 Nevertheless, the DfT undertook the analysis outlined in this note to determine the approximate value for money of the ITB. In summary:
 - The ITB is used to fund the types of small transport schemes for which it is intended.
 - ITB funded schemes are likely to provide high or very high value for money.
 - Available evidence suggests the benefit cost ratio (BCR) for the ITB as a programme is likely to be between 3 and 7.
- 1.3 This note summarises the analysis and evidence used to determine the value for money of the ITB.

How the ITB is Allocated

- 1.4 The ITB is one of two formula based capital grants provided by DfT to local authorities for transport schemes¹. The grant is apportioned by a needs-based and incentive-based formula, to reflect the following objectives (after allowing a top slice of 0.615% to Objective One areas)²:

Public transport	25.0%
Accessibility	17.5%
Tackling pollution	5.0%
Road safety	14.0%
Congestion	20.0%
Carbon	8.0%

Table 1 Allocation of ITB between Objectives

¹ The other is the Highways Maintenance Block.

² A detailed description of the formula can be accessed here:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303603/it-block-data.zip

The remaining funding is then split between the following elements on an 'improvement' basis:

Road safety	3.5%
Congestion	5.0%
Carbon	2.0%

Table 2 Allocation of Remaining Funding

1.5 The total grant awards across England are set out in Table 3 below.

Year	Total ITB Grant (£000's)
2012/13	320,000
2013/14	320,000
2014/15	458,000
2015/16	258,000

Table 3 Total Annual Grants

1.6 In 2015/16, £200 million of the ITB has been reallocated to the Local Growth Fund.

2. Value for Money of the Integrated Transport Block

Introduction

- 2.1 For small transport schemes (under £5 million) it is not always proportionate for local authorities to develop full business cases to demonstrate value for money. As the ITB is not ringfenced local authorities are not required to submit business cases to the DfT for scrutiny. Consequently, there is little evidence to demonstrate the value for money of schemes funded by the ITB.
- 2.2 To assess the VfM of ITB schemes the DfT first surveyed local authorities to determine how received funds were spent. DfT then accumulated evidence for the categories of schemes funded by the ITB to estimate indicative BCRs.

Survey of Local Authorities

- 2.3 In order to understand better how the ITB is spent local transport authorities (LTAs) were sent a questionnaire (Annex A). The questionnaire asked each LTS to record how much was spent on integrated transport schemes in 2012/13 and to record how much was spent on each of the following eight categories of scheme:
 - Road safety schemes (speed controls, lining and signing, physical interventions, cameras etc.)
 - Cycling schemes (cycle ways, cycle priorities, lining and signing)
 - Public transport infrastructure (access to stations/ stops, bus priority, bus gates etc.)
 - Localised road improvements for congestion (junction improvements, road widening etc.)
 - General traffic management (including traffic signals, pedestrian crossings, information systems etc.)
 - Support for freight initiatives (weight restrictions, lay-bys etc.)
 - Streetscape (shared space, public realm)
 - Other (please specify most significant)
- 2.4 Twenty-seven of the eighty-eight LAs that received an ITB grant in 2012/13 were approached by DfT representative. All 27 returned the survey. The extremely high response rate suggests that the results are a reasonable reflection of the total number of local authorities who received a grant.
- 2.5 Table 4 presents the total ITB grant received by Local Authorities in 2012/13 as well as the total spent on integrated transport schemes. The local authorities who

responded to the survey received approximately 25% of the total ITB in 2012/13. Many local authorities spent more than they received from the ITB on ITB type schemes. A number of LAs spent a proportion of the ITB grant on road maintenance.

	Number Responses	ITB Spend (£m)	ITB Grant (£m)
District Council	2	10.6	7.8
Metropolitan Districts	12	19.9	13.5
English Shire	11	32.6	27.3
County Councils	6	33.4	31.9
Total	31	96.6	80.4

Table 4 ITB Spend by Type of Local Authority

2.6 Local authorities were then asked to report how their ITB grant was distributed between different scheme types. Table 5 is the average proportion of the ITB local authorities spend on each activity, and Table 6 the breakdown of 'other' ITB spend.

Activity	Proportion of Total ITB Spend
Road safety schemes (speed controls, lining and signing, physical interventions, cameras etc.)	13%
Cycling schemes (cycle ways, cycle priorities, lining and signing)	11%
Public transport infrastructure (access to stations/ stops, bus priority, bus gates etc.)	20%
Localised road improvements for congestion (junction improvements, road widening etc.)	18%
General traffic management (including traffic signals, pedestrians crossings, information systems etc.)	18%
Support for freight initiatives (weight restrictions, lay-bys etc.)	1%
Streetscape (shared space, public realm)	3%
Other (please specify most significant)	9%
Other areas of expenditure funded by IT Block Grant - please specify	7%
Total	100%

Table 5 Average Proportion of ITB Spend by Activity

Activity	Spend (£000's)	% of Total Spend
Planning	2,520	3%
Vehicle/ Equipment Purchase	1,151	1%
Rights of Way	1,084	1%
Other	4,261	4%
Total	9,016	9%

Table 6 Breakdown of 'Other' ITB Activities

- 2.7 Planning work includes the development of transport models to underpin Local Transport Plans (LTPs) and major scheme development works. Some authorities emphasised the importance of this in supporting their transport planning function.
- 2.8 Of total spend on ITB schemes public transport infrastructure is the category with the most spend, followed by local road improvements and general traffic management. Road safety and cycling schemes also attract more than 10% of funds. Table 7 is a breakdown of spend from the ITB grant on non-ITB schemes. The majority of non-ITB spend is highways maintenance.

Scheme Type	(Spend (£000's))
Highways Maintenance*	17,007
Traffic Signal Upgrade	370
Street Lighting	800
City Centre Park	129

Table 7 ITB Spend on Non-ITB Schemes

* One local authority accounted for £12 million of total spend.

- 2.9 Table 8 demonstrates that the ITB is a significant source of funding for local transport capital schemes.

	Capital Spend 2012/13 (£ '000)	ITB Spend (£'000)	ITB Spend as % of Total Spend
Road Safety	221,748 ³	41,600	19%
Public Transport - Bus	269,350 ⁴	64,000	24%
Roads Improvement	703,343 ⁵	153,600	22%

Table 8: ITB Spend as a Proportion of Total Local Authority Spend

³ Table D1d of DCLG (2014) Local Government Financial Statistics England, DCLG.

⁴ Table D1c of DCLG (2014) Local Government Financial Statistics England, DCLG.

⁵ Table D1d of DCLG (2014) Local Government Financial Statistics England, DCLG.

Evidence of Appraisal, Monitoring or Evaluation of ITB Interventions

- 2.10 As money is not ringfenced and the reporting requirements of LTPs have been reduced, there is little evidence of either *ex-ante* or *ex-post* evaluation of individual interventions. However, there is evidence from surveys and elsewhere that some authorities, notably the ITAs in metropolitan areas, continue to report the outcomes of transport investment in line with LTP indicators. They are also incentivised to improve key output indicators to maximise the share of the LTP performance grant elements.
- 2.11 There is an interesting comparison with the Highways England's (HE) Local Network Management Schemes (LNMS) that has a comprehensive and cumulative evaluation programme (POPE) despite an annual budget for the LNMS of about 10% of the ITB. This systematically collects *ex-post* data for most small HE projects costing between £25,000 and £10m and evaluates around 35% of the (mostly larger) schemes. The method measures the First Year Rate of Return (FYRR) and benefit cost ratios (BCRs) as value for money outputs, concentrating primarily on journey time and accident cost saving benefits. Up to 2013/14, the 11 year evaluation programme considered 670 schemes worth around £229m in total.
- 2.12 However, there is (largely *ex-ante*) comparable evidence for a number of small scheme interventions within the ITB category types.
- 2.13 Table 9 below tabulates the sources of comparable evidence that are applicable for each category of intervention.

Intervention Type	Comparable Evidence
Road safety schemes (speed controls, lining and signing, physical interventions, cameras etc.)	HE LNMS – small schemes
Cycling schemes (cycle ways, cycle priorities, lining and signing)	Cycle City Ambition Grant and the Cycling in National Parks Grant
Public transport infrastructure (access to stations/ stops, bus priority, bus gates etc.)	Better Bus Area Fund; PTEG (Halcrow) Small Scheme Appraisal
Localised road improvements for congestion (junction improvements, road widening etc.)	Local Pinchpoint Fund
General traffic management (including traffic signals, pedestrians crossings, information systems etc.)	-
Support for freight initiatives (weight restrictions, lay-bys et.c)	-
Streetscape (shared space, public realm)	Qualitative studies
Other (please specify most significant)	Local Sustainable Transport Fund (smarter choices)

Table 9 Comparable Evidence

- 2.14 The following is a summary of the evidence collected against objective areas.

Road Safety

2.15 Highways England's Local Network Management Schemes (LNMS) Post Opening Project Evaluation (POPE) programme has a helpful analysis of accident reduction success, as measured by type of measure implemented⁶. Safety is not the only objective of this programme, but it is an important driver, particularly for smaller measures. Table 10 below shows the proportionate reduction in the accident rate after one year, by measure:

Measure	Saving in accident rate	First Year Rate of Return
Banned Turn	45%	48%
New Signals	40%	69%
Surface Treatment	37%	137%
Modified Signals	35%	58%
Road widening	32%	54%
Improved Geometry	31%	26%
Speed Limit Reduction	28%	6%
Passive Measures	26%	105%
Signing	25%	111%
Marking/Lining	25%	151%

Table 10 Accident Reduction and Overall FYRR

2.16 This reflects schemes on the trunk road - predominantly 'A-roads' managed by HE - rather than local road network but nevertheless offers some evidence on the relative effectiveness of different measures. It suggests that some lower cost measures (signing/lining/markings) have very high rates of return. It is perhaps not surprising that higher cost schemes take longer to secure a return.

2.17 The LNMS POPE also reports BCRs by scheme cost band. Again, this reflects all monetisable benefits (not just safety). It appears to show that lower cost schemes (under £250k) perform better in value for money terms. It also reflects very high value for money across all scheme cost categories.

Scheme Cost	BCR Over Scheme Life
Less than £100k	34
£100k - £250k	21.3
£250k - £500k	9.9
£500k - £1m	10.1
£1m - £2m	12.2
£2m +	13.5

Table 11: Average Benefit Cost Ratio by Scheme Cost

⁶ POPE of LNMS Annual Report 2014, accessed at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/408060/POPE_LNMS___Annual_Evaluation_Report_2014.pdf

Cycling

- 2.18 In February 2013, the DfT announced the Cycle City Ambition Grant and the Cycling in National Parks Grant (CNPg) as a single fund of £42 million for capital expenditure on cycling and walking infrastructure. Additional funding was later identified to bring the total up to £94m.
- 2.19 Of thirty bids received twelve were funded. The average *ex-ante* BCR for the eight Cycle City Ambition Grant schemes is 5.1. The average for the four CNPg projects is 7.4, with an overall average of 5.5, representing very high VfM. Of the five smaller schemes awarded funding under either instrument, the BCR was 13.1⁷.

Public Transport

- 2.20 On behalf of the Passenger Transport Executive Group (PTEG) Jacobs Consultancy analysed 150 small bus and rail schemes, concluding that the median BCR of the sample was 3.5⁸. These were obtained from the Integrated Transport Authorities (ITA) areas and the associated authorities represented by the PTEG, including Transport for London (TfL), so there is a bias towards schemes in larger cities. Of the schemes reported, 17% were in the low VfM category, 25% were of medium VfM, 28% showed high VfM and 28% indicated very high VfM.
- 2.21 Of the schemes analysed, only 49 actually reported a BCR. Of these six schemes have a BCR of over 6. If these are excluded the average BCR falls to 2.8, still high value for money.
- 2.22 Unfortunately, the VfM analysis was not reported by cost of scheme. Nevertheless, the table below gives an indication of the BCR by scheme type. Bus schemes tend to be smaller schemes than rail schemes. Bus priority and bus real time information schemes are typical of those normally implemented using ITB grant, and these exhibit the highest predicted VfM return by group.
- 2.23 Table 12 below tabulates the results of *ex-ante* appraisals of public transport schemes reported in the Jacobs study.

Scheme Type	Average BCR
Bus Real Time Info	9.5
Bus Priority	5.4
Rail Station Improvement	4.4
Bus Park and Ride	3.5
QBC	2.5
Bus Station / Interchange	2
Light Rail	1.7
Bus Information	1.6
Rail Park and Ride	1.5

Table 12: Average BCR by Scheme Type

⁷ DfT (2014) Value for Money Assessment for Cycling Grants

⁸ Jacobs Consultancy (2011) Value for Money and Appraisal of Small Scale Public Transport Schemes

2.24 The 2012 Better Bus Area Fund (BBA 1) provides some evidence of *ex-ante* value for money for bus schemes under £20 million. The average BCR of the 24 schemes funded is was 1.9, although 18 of these were judged also to provide significant non-monetised benefits. The subset of 11 schemes below the major project threshold (£5m) presented *ex-ante* BCRs averaging 2.4, of which eight had significant non-monetised benefits.

2.25 More recent evidence⁹ for the value for money of bus infrastructure schemes approved within the last five years and over £5m is summarised as follows:

- The aggregate BCR for bus related local major schemes is 3.4.
- The aggregate BCR for bus related Local Sustainable Transport Fund (LSTF) schemes is 5.1
- The aggregate BCR for better bus area schemes funded with BBA 2 is 2.6.

2.26 The aggregate BCR for all major bus-related schemes over £5 million is 3.9.

2.27 Given the range of evidence, it is difficult to identify an indicative BCR to represent all potential ITB public transport schemes. However, for the purpose of assessing the VfM of the public transport aspect of the ITB a conservative BCR of 3 will be assumed.

Localised Road Improvements

2.28 A total of 50 highway schemes worth £145m in total were awarded funding under the Local Pinchpoint Fund in four tranches during 2013. The majority are local highway improvement schemes. All schemes cost less than £5m and are therefore broadly comparable to those funded via the ITB.

2.29 Of the 50 schemes, the table below gives the *ex-ante* appraisal distribution between VfM categories.

Value for Money Category	Number
Very High	34
High	12
Medium	0
Low	2
Poor	2

Table 13 Pinchpoint Schemes Value for Money

The mean BCR for approved schemes is 7.1; the median is 6.7.

⁹ DfT analysis.

Value for Money of Integrated Transport Block and Sensitivity Tests

2.30 Estimating the value for money for the ITB is problematic because we do not have BCRs for all scheme categories. Some schemes – notably public transport schemes – also have significant non-monetised benefits. Table 14 shows an estimate of the average BCR of schemes for which estimates of BCRs are available.

	Estimated Total spend (2013/14) (£m)	Average BCR	Estimated Monetised Benefit (£m)
Road safety schemes (speed controls, lining and signing, physical interventions, cameras etc.)	42	15	624
Cycling schemes (cycle ways, cycle priorities, lining and signing)	35	5.5	194
Public transport infrastructure (access to stations/ stops, bus priority, bus gates etc.)	64	3	192
Localised road improvements for congestion (junction improvements, road widening etc.)	58	6.7	386
	198	7 (weighted)	1,396

Table 14 BCRs of ITB Categories

2.31 The BCR in Table 14 is predicated on a number of assumptions and does not take into account ITB spending on activities for which there is no BCR. If these are assumed to be 2 then the overall BCR falls to approximately 5.1. Still very high value for money.

2.32 The BCR for road safety schemes is 15. It is possible that local roads may have lower BCRs than strategic roads, the source of the evidence used above. (Note, however, that road safety is a greater issue on local roads). If the BCR for road safety schemes is assumed to be 10, then the overall BCR falls to 6. If the BCR is 5, the overall BCR is 4.9.

2.33 If activities for which there is no BCR are assumed to be 2, and road safety schemes are assumed to be 5 the overall BCR is 3.8.

2.34 Table 15 summarises these sensitivity tests:

Sensitivity Test	Amended BCR
The BCR for categories of scheme for which no BCR is available is assumed to be 2	Overall BCR falls to 5.1
BCR for road safety schemes is 10	Overall BCR is 6
BCR for road safety schemes is 5	Overall BCR is 4.9
BCR for categories of scheme where no BCR is available is 2 and BCR for road safety schemes is 5.	Overall BCR is 3.8

Table 15 Sensitivity Tests

Conclusions

- 2.35 The survey of local authorities demonstrated that the vast majority of ITB funds are spent on local transport scheme initiatives, although there is some evidence of leakage to other uses, primarily for highway maintenance needs. In part, this may be a reflection of a growing maintenance backlog for the surveyed year in question (2012/13).
- 2.36 There is no evidence of systematic *ex-ante* appraisal or *ex-post* evaluation of investment schemes, although there is some monitoring of outcomes, primarily in ITAs. This is proportionate in that it reflects both the small-scale nature of investment, and the lack of a ringfenced requirement for the fund.
- 2.37 There is a body of evidence reported here on the value for money of small (under £5m) transport investment schemes across different categories, funded through other means. Most of this evidence is *ex-ante* appraisal – there is a shortage of *ex-post* evaluation for small interventions although the HE’s LNMS is a notable exception. The evidence indicates that the value for money for the Integrated Transport Block is likely to be high or very high.

Annex A: Local Authority ITB ProForma

The following was sent to approximately one third of the 88 local authorities receiving the ITB.

How much in total did the Local Authority spend on Integrated Transport activity in 2012/13:

Integrated Transport Block schemes	
------------------------------------	--

Of this how much was spent on the following transport schemes:

Activity	Total spent
Road safety schemes (speed controls, lining and signing, physical interventions, cameras etc.)	
Cycling schemes (cycle ways, cycle priorities, lining and signing)	
Public Transport infrastructure (access to stations/ stops, bus priority, bus gates etc.)	
Localised road improvements for congestion (junction improvements, road widening etc.)	
General Traffic Management (including traffic signals, pedestrians crossings, information systems etc.)	
Support for Freight initiatives (weight restrictions, lay-bys etc.)	
Streetscape (shared space, public realm)	
Other (please specify most significant)	

Where schemes cover various objectives, please split expenditure in equal parts (unless better evidence exists).

It would also be useful to know if you spent any of the Integrated Transport Block grant on other areas of expenditure e.g. Highways Maintenance. If this was the case can you fill in the table below:

Other Areas of expenditure funded by IT Block Grant – please specify	

We are also interested in any further information that authorities have on the impacts (evaluation, case studies), etc. authorities have on specific IT type schemes. This will help broaden our evidence base.