

SOUTH EAST ENGLAND REGIONAL TRANSPORT BOARD

Prioritisation Methodology – Guidance Note Version 1.0

1. Purpose of Note

- 1.1 To provide an overview of the prioritisation methodology and its application.

2. Context

- 2.1 The prioritisation methodology was developed by the Regional Assembly in response to the need to have a mechanism that enables the relative priorities of investment proposals to be considered by decision makers.
- 2.2 The methodology does not assess the merit of a specific proposal. There is a well established process set out at a national level within which the detail of a proposal is developed as part of which a proposal passes from problem identification, through consideration of available options, to the development of a preferred proposal and finally detailed design. The process includes the need for a range of assessments and analysis to be undertaken. In this way the promoter is required to consider the full range of social, economic and environmental issues and arrive at an appropriate balance.
- 2.3 The objective of any prioritisation methodology is to compare the relative priorities of a number of proposals on a consistent basis using an approach that is transparent. The prioritisation methodology does not seek to provide the answer, but rather present information to the Regional Transport Board such that it is able to determine its advice to Government on investment priorities from an informed position.

3 The Prioritisation Methodology

- 3.1 The output from the methodology is a list split into nine categories. The categories are determined having considered three factors:
- Policy compatibility
 - Value for Money
 - Deliverability
- 3.2 Policy compatibility
- 3.2.1 This factor considers the extent to which a proposal supports delivery of agreed policy objectives, as set out at both national and regional levels. While a

proposal needs to be consistent with both national and regional policy objectives, the Board is advising on regional priorities. Thus while national policy objectives provide an important overarching context, greater weight is given within the prioritisation methodology to supporting regional objectives. The default setting within the methodology is 80:20 in favour of regional objectives.

3.2.2 The national policy objectives are identified by the Government as part of its New Approach To Appraisal) and are:

- Environment
- Safety
- Accessibility
- Integration

Note: the fifth national objective identified in NATA – economy – is considered through the value for money factor.

3.2.3 As part of the NATA the promoter is required to assess the impact of their proposal against these objectives and to summarise the outcome of that assessment using an Appraisal Summary Table (AST). The impact of the proposal is scored by the promoter using a 7-point scale which ranges from +3 (large beneficial impact) to -3 (large negative impact).

3.2.4 The prioritisation methodology uses the assessment undertaken by the promoter and turns that into a single score which represents 20% overall mark for policy compatibility.

3.2.5 Assessing the contribution that the proposal makes in support of delivering regional policy objectives is undertaken using a questionnaire.

3.2.6 The content of the questionnaire has been developed in the light of experience and has benefited from a series of debates within both the Transport Advisory Group and Regional Transport Co-ordination Group. The wording of the questions is focused on outcomes rather than process and are related directly back to the desired outcomes set out in the key regional documents; the South East Plan and the Regional Economic Strategy.

3.2.7 The questions are phrased in a way that requires a definitive, objective response wherever possible, usually requiring a yes/no response. Such an approach is fundamental to ensuring that information is presented to the Board on a consistent basis. There is scope within the structure of the questionnaire for a promoter to set out additional information relating to the impact of the proposal that may be relevant to the consideration of the Board.

3.2.8 The questionnaire is filled in by the promoter using information that is required as part of the normal process for developing a proposal. A proposal that supports delivery of the policy outcome is scored as +1, a proposal that is

neutral in terms of its impact is scored as 0, while a proposal that is counter to the policy outcome sought is scored as -1.

- 3.2.9 The prioritisation methodology uses the information provided by the promoter via the questionnaire to produce a figure for consistency with regional policy objectives. This represents 80% of the overall mark for policy compatibility.
- 3.2.10 The figures for national and regional policy compatibility are combined into a single figure. Proposals are then placed into one of three categories – low, medium or high.
- 3.2.11 The prioritisation methodology presents information on a consistent basis and in relative terms. Accordingly thresholds are set within the programme to ensure that proposals are spread across the three categories. The inclusion of a proposal within the low category does not in itself question the validity of the proposal. Rather it demonstrates that, relative to the other proposals being considered, it does not contribute as much to the delivery of national and regional policy objectives.

3.3 Value for Money

- 3.3.1 The measure used to assess the value for money of the proposal is the Benefit-Cost Ratio (BCR); the standardised approach to calculating the monetised costs and benefits of a proposal.
- 3.3.2 The promoter of a proposal will undertake an assessment of the benefits and costs of a proposal at various stages in its development. As the detail of a proposal becomes more refined over time so the assessment of the value for money will become more robust.
- 3.3.3 The Government has established four categories for classifying BCR:
 - For proposals with a BCR <1 the classification is poor
 - For proposals with a BCR between 1 and 1.5 the classification is low
 - For proposals with a BCR between 1.5 and 2 the classification is medium
 - For proposals with a BCR >2 the classification is high

3.4 Deliverability

- 3.4.1 The deliverability of a proposal is a key consideration in terms of identifying future priorities for investment. The work undertaken to develop the prioritisation methodology identified a number of factors that contribute to determining the deliverability of a proposal. The work concluded that these could be grouped into two factors: public acceptability and funding certainty.
- 3.4.2 A review of proposals that have been put forward for delivery in the past will show that a proposal is in general terms acceptable to the public unless it triggers issues that generate dissent. Issues that can act as triggers include:

- Adverse environmental impacts at the local level
 - An increase in accidents
 - An increase in the cost of travel
 - Adverse impact on the local economy
- 3.4.3 An assessment of the impact of the proposal on these issues is required as part of the work to produce an AST. Information relating to the potential impact on these issues is provided by the promoter. If a proposal has an adverse impact on more than one of these issues so its likelihood to be acceptable to the public will decrease proportionally.
- 3.4.4 The extent to which a proposal can be certain of securing funding is a combination of the proposed timing of the proposal and its readiness.
- 3.4.5 For example, all other things being equal, a proposal that is being put forward for delivery in the short time and which has been developed to a high state of readiness is more likely to secure funding than a proposal put forward for the same time frame but which is not developed beyond the concept stage.
- 3.4.6 The prioritisation methodology makes allowance for the fact that with the passage of time the promoter will undertake the required level of appraisal and assessment necessary to support the development of a proposal and enable it to secure planning permission. By its very nature, this approach this will create greater certainty that, all other things being equal, the proposal would be capable of securing funding.
- 3.4.7 An assessment of the proposal's deliverability is arrived at by multiplying the public acceptability with the funding certainty to arrive at a score for this factor. Proposals are then place into one of three categories – low, medium or high.
- 3.4.8 The prioritisation methodology presents information on a consistent basis and in relative terms. Accordingly thresholds are set within the programme to ensure that proposals are spread across the three categories. The inclusion of a proposal within the low category does not in itself question the validity of the proposal. Rather it demonstrates that, relative to the other proposals being considered, it is likely to secure public acceptability or funding.
- 3.5 Producing the Prioritised List
- 3.5.1 Each proposal will have been placed in a category for each of the three factors used in the methodology – policy compatibility, value for money and deliverability. Proposals scoring high against each factor will be placed in category 1, proposals scoring low against each factor will be place in category 9.
- 3.5.2 Proposals in category 1 will tend to be those which are well developed, have a high value for money and have a high likelihood of being delivered. By

implication such proposals will be those that are ready to be delivered in the short term.

3.5.3 Proposals in middle of the prioritisation list are likely to be those on which further work is required before the detail of the proposal is fixed. This likely to mean that the proposal will not have planning permission and thus at this stage is less likely to secure funding. However it is likely to be a proposal on which work needs to progress in order to have it ready for delivery at some point in the medium term.

3.5.4 Proposals toward the bottom of the prioritisation list are likely to be either ones that are an embryonic stage in their development or over which there is a question mark as to their contribution, in relative terms, to delivering the desired outcomes.

3.6 Refinement of Scores

3.6.1 Prioritisation is in some respects a dynamic process. The detail of a proposal is capable of being refined in response to a number of factors. Those refinements could have an impact on the score associated with any one of the three factors used to prioritise proposals.

3.6.2 For example a proposal that initially scores badly on policy compatibility could be redesigned. The redesigned proposal could have an improved BCR and could be more deliverable. Equally the process of redesigning a proposal may take more time, but in doing so there may be greater certainty that funding will be secure for the proposal once it has been refined.

3.6.3 Thus, a proposal will move up through the prioritisation list over time as it progresses through the various stages in its development, until such time as the proposal is delivered and is removed from the list.

3.6.4 It is important to bear in mind that the prioritisation methodology assesses the relative priorities of proposals. It does not automatically follow that a change in the score for one or more of the factors will automatically lead to a change in its priority relative to other proposals.

3.7 Reviewing the Prioritised List

3.7.1 The output from the prioritisation methodology presents information on the relative priority of proposals at a moment in time. While it is essential that the regional policy framework provides a more consistent context within which promoters can develop proposals, it is equally important to ensure that the forward programme is kept under regular review.

3.7.2 A review of the prioritised list would require the information used in the prioritisation methodology to be updated. This would enable the score against each of the three factors to be reviewed reflecting progress made in the

development of each proposal. It would also enable additional proposals to be considered as part of the prioritisation process. It would also enable the Board to take into account any issues identified through the annual regional monitoring report; issues that may require the Board to give greater emphasis to specific issues through its advice to the Government.

3.7.3 In order to strike an appropriate balance between these considerations a review on a cycle consistent with the Government's spending review cycle would seem appropriate.

3.8 Dealing with Proposals at Different Stages of Development

3.8.1 The prioritisation methodology is dealing with proposals at different stages of development. The level of information available will accordingly vary in terms of its detail and robustness. However it remains important to be able to undertake a relative assessment of the priorities of proposals being developed across the region.

3.8.2 The early stages in the development of a new proposal require officials to exercise a degree of engineering judgement. Such judgement is based on past experience is used to help turn a concept into a range of potential options, which can then be developed in greater detail. In such circumstances the information that is used within the methodology will inevitably be the best available at that point in time. However as work on the development of the proposal is taken forward, so the quality of the information associated with it will improve. Subsequent reviews of the prioritised list of proposals would be able to take into consideration any such additional/new information.

4 Applying the Prioritisation Methodology

4.1 The information used within the prioritisation methodology is provided by the promoter of a proposal. There is the opportunity to comment on and suggest amendments to the information supplied where this is appropriate. This is most likely to be the case in respect of proposals put forward by the Highways Agency where there may be linkages at the local level that need to be properly reflected. In such instances the information supplied by the Agency is shared with the relevant local transport authority to ensure any such linkages are taken into account.

4.2 The views of the Regional Transport Co-ordination Group are sought on the initial output from the prioritisation methodology. This provides the opportunity to identify what might appear to be anomalous categorisations of proposals and to explore such instances with the promoter of the proposal.

4.3 The discussion with the Regional Transport Co-ordination Group also provides the opportunity for issues to be identified which need to be brought to the

attention of the Board during its consideration of the output from the methodology.

- 4.4 The output from the prioritisation methodology is presented to the Board for its consideration in the form of a draft forward programme. The draft forward programme is prepared within the financial guidelines provided by the Government.
- 4.5 In arriving at its advice on investment priorities the Board has the ability to amend the forward programme, however any such change will be on the basis of an informed understanding of the consequential impact that it will have on the rest of the forward programme.

**South East England Regional Assembly
May 2006**