

A428 Black Cat to Caxton Gibbet improvements

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7.11 Strategy for Dealing with the Uncertain Outcomes
Arising from COVID-19

Planning Act 2008

Regulation 5(2)(q)

Infrastructure Planning (Applications: Prescribed Forms and
Procedure) Regulations 2009

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improvements
Development Consent Order 202[]**

**Strategy for Dealing with the Uncertain Outcomes
Arising from COVID-19**

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Table of contents

Chapter	Pages
1 Introduction	1
1.2 Department for Transport Route Map	2
1.3 Implications for the Scheme Appraisal	3

1 Introduction

1.1.1 The purpose of this Strategy (this Strategy) is to set out Highways England's approach to addressing the uncertainty arising from the COVID-19 pandemic with respect to A428 Black Cat to Caxton Gibbet improvements (the Scheme).

1.1.2 This strategy is informed by the guidance in the document prepared by the Department for Transport (DfT) 'A route map for updating Transport Appraisal Guidance (TAG) during uncertain times' issued in July 2020. During 2020 a number of unexpected events have occurred on the national and global stage that have the potential to have a bearing on transport scheme appraisals. The following are of particular significance.

Revised Economic and Fiscal Outlook

1.1.3 As part of the Spring Budget of 2020, the Office for Budgetary Responsibility (OBR) published a revised economic and fiscal outlook and associated forecasts of the UK economy in the long-term. On 14th July 2020, OBR published the 2020 Fiscal Sustainability Report (FSR), updating medium-term growth forecasts to 2025 to take into account COVID-19 impacts known at that time. The implications of these forecasts for appraisal is that forecast productivity and income growth is projected to be significantly lower than those previously published.

COVID-19 Pandemic

1.1.4 The uncertainty around future travel behaviour brought about by the COVID-19 pandemic, makes it more challenging to assess which investment options may provide the best returns for the taxpayer. There is a need to consider how best to accommodate this uncertainty in appraisal and provide consistency across the local, regional and national portfolios.

Net Zero Carbon

1.1.5 In 2019, the UK passed laws to require the UK to bring all greenhouse gas emissions to net zero by 2050. The DfT's document Decarbonising Transport: Setting the Challenge published in March 2020 sets out the ambition to ensure that transport delivers its contribution to meeting this target. This is likely to have significant implications on the emissions mix of the future vehicle fleet and the way that transport infrastructure is provided to facilitate these aims. This will require that impacts on carbon are appropriately assessed and valued.

1.1.6 In combination, these represent a significant challenge for forecasting and appraisal methods as new guidance becomes available and outcomes are less certain. For example, the COVID-19 pandemic has resulted in a dramatic reduction in personal travel in the short term following the introduction of restrictions in March 2020. In the longer term, the impacts of COVID-19 are unknown but will continue to be felt in response to the downturn in economic activity, changes in working patterns, and in the way people will travel.

1.1.7 At the time of writing social restrictions remain in place and it is impossible to determine the length of time it may take for travel behaviour to stabilise following the lifting of restrictions. Furthermore, it is likely to be a significant length of time before longer term trends are fully understood. Therefore, in the meantime, forecasting future growth is likely to have higher levels of uncertainty and will need to be conducted against emerging guidance.

1.2 Department for Transport Route Map

- 1.2.1 As a response to these challenges, in July 2020 the DfT published 'A route map for updating TAG during uncertain times'. This sets out how the appraisal framework should adapt and take account of these future trends in relation to the evidence base or methods used within the Transport Analysis Guidance.
- 1.2.2 The route map acknowledges that change will have to be a managed process. The strategy set out in the route map seeks to balance the risk of disruption to ongoing analytical work with having the best available evidence to support decision making. It recommends that this should be achieved by progressively improving the evidence base, starting with a series of initial recommendations, followed by addressing a number of longer term challenges that require further research.
- 1.2.3 It is expected that revised TAG guidance will be released in Spring 2021 with subsequent updates released as and when issues are resolved through research and consultation.
- 1.2.4 However, in advance of the revised TAG guidance, the route map has identified two changes recently introduced by the DfT:
- a. The interim carbon values advice provided by the Department for Business, Energy and Industrial Strategy (BEIS).
 - b. The incorporation of the latest OBR long-term economic growth forecasts.
- 1.2.5 The route map advises that where appraisals have already been conducted the impact of the new OBR economic growth forecasts and high carbon values should be considered through sensitivity testing before formal changes to guidance are introduced during 2021. This is consistent with the DfT's Orderly Release Process that provides advance notice of changes to guidance to allow more certainty of the timetable for changes and early sight of forthcoming revisions.
- 1.2.6 In parallel with the route map, the DfT published an updated Transport Appraisal Guidance (TAG) data book. This incorporated the updated values relating to the long term projections of employment and economic growth issued by the OBR in March 2020, and the further projections issued in July 2020 as part of the FSR Report of the medium-term impact of COVID-19 on the economy to 2025. The route map advises that these values should provide the basis for sensitivity testing.

1.3 Implications for the Scheme Appraisal

- 1.3.1 The forecasts and economic appraisal for the Scheme were completed in mid 2020 prior to publication of the DfT route map and the revised economic growth projections. A sensitivity test using the interim carbon values, as recommended in the DfT route map, was subsequently undertaken. This resulted in a reduction of the adjusted Benefit to Cost Ratio from 1.9 to 1.8. The results are reported within the Economic Assessment Report, Appendix D of the Combined Modelling and Appraisal Report **[TR10044/APP/7.10]**.
- 1.3.2 However, given the timing of the release of the OBR projections, it has not been possible to complete a sensitivity test to assess the impact of the latest projections of economic growth in advance of the submission of the DCO application.
- 1.3.3 The economic growth sensitivity test would involve re-modelling and re-forecasting which is a lengthy and complex multi-task process involving two main stages. The first stage is anticipated to involve testing the sensitivity of future demand in response to the revised forecasts of economic growth. This would be carried out by running the variable demand model using the revised TAG data book. The second stage is anticipated to involve assessing the sensitivity of the economic benefits. This would utilise the revised demand flows in stage 1 to derive estimates of user benefits from TUBA, COBALT and WITA based upon the revised TAG data book parameters.
- 1.3.4 The sensitivity test on economic growth is a more complex process compared to the process required for the high carbon sensitivity test which has been included in the Economic Assessment Report, Appendix D of the Combined Modelling and Appraisal Report **[TR10044/APP/7.10]** and required only a re-run of TUBA. Therefore, the sensitivity test on economic growth will be prepared in accordance with relevant DfT guidance as soon as possible following acceptance of the DCO application.
- 1.3.5 It is anticipated that this sensitivity test would not result in a significant change in forecast flows and is considered unlikely to affect the conclusions as reported in the Transport Assessment **[TR10044/APP/7.2]** and Transport Assessment Annex **[TR10044/APP/7.3]**.
- 1.3.6 It should be noted that the DfT provides travel demand forecasts for use in transport modelling through its National Trip End Model (NTEM) data set. It is understood that these will be updated during 2021 to align with the latest national population projections and economic growth forecasts and included in a further release of TAG. While the NTEM will provide updated forecasts of future growth based upon the latest evidence, these are unlikely to be issued until later in 2021.
- 1.3.7 The sensitivity test is anticipated to have a greater impact on the Scheme economics. While the benefits in the economic appraisal are likely to reduce, given an adjusted BCR of 1.9 has been demonstrated in the Economic Assessment Report, Appendix D of the Combined Modelling and Appraisal Report **[TR10044/APP/7.10]**, it is anticipated that the overall BCR will remain above 1, i.e. benefits would be greater than costs.

- 1.3.8 Given the timing of the release of the further information required in order to conduct the sensitivity test and that any changes arising from the sensitivity test are unlikely to be significant, it is considered that undertaking a sensitivity test in line with the guidance set out in the DfT route map following acceptance of the DCO application, represents a reasonable and proportionate approach to assessing the impact of these recent changes in projections of economic growth.
- 1.3.9 It is expected that further guidance will be released by the DfT during 2021 that will seek to address some of the emerging issues. While it would be the intention to monitor and review emerging guidance a judgement will need to be taken by Highways England, in consultation with the Planning Inspectorate and other stakeholders, to determine whether further sensitivity testing is appropriate and proportionate.