

## Highways Agency Specification 2013-14 – Technical Note

Field	Notes
<b>Short Title</b>	Percentage of Spend on Major Road Schemes which is Assessed as Good or Very Good Value for Money.
<b>Performance Specification Reference</b>	Output 9 - PS 4.19
<b>Requirement / Output Details</b>	The network operator should also report the percentage of appraised major project spend which is assessed as good or very good value for money as this is currently a Department for Transport Business Plan indicator.
<b>Technical Definition</b>	<p>The indicator reports the value for money (VfM) ratings presented to ministers when spending decisions are made, using the Department for Transport's (DfT) VfM process. It also uses the estimate of cost to the DfT of those decisions.</p> <p>The DfT's VfM process was introduced in 2004 to consistently present to Ministers a summary of the benefits and costs of transport proposals. The VfM assessment measures the expected benefits to each pound of spending covered by the appraisal process.</p> <p>The VfM process covers all major schemes that are subject to ministerial approval. In this case, it focuses only on Highways Agency (HA) major schemes.</p> <p>This indicator covers 'approved spending' of schemes that ministers have given final approval to within the period indicated.</p>
<b>Rationale</b>	The value for money assessment measures the expected benefits to each pound of spending covered by the appraisal process. The DfT wants to ensure it achieves the best value for money possible within its objectives and priorities.
<b>Formula</b>	<p>The value for money measure is derived from the benefit cost ratio (BCR) of a scheme. The following BCRs are associated with the following value for money categories:</p> <ul style="list-style-type: none"> <li>• BCR of less than 1 = poor value for money</li> <li>• BCR between 1 and 1.5 = low value for money</li> <li>• BCR between 1.5 and 2 = medium value for money</li> <li>• BCR between 2 and 4 = high value for money</li> <li>• BCR above 4 = very high value for money</li> </ul> <p>Non monetised impacts are then considered to ascertain whether those impacts are great enough to shift a scheme into a different category. The final VfM category is then assigned.</p>

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	<p>To derive the final figure, first sum the total value of HA major schemes approved in this financial year scoring a benefit cost ratio of 2 or higher (A). Then sum the total value of all HA major schemes approved in this financial year (B). Divide A by B to give the percentage figure:</p> <p>Measure = A/B  Appraisal will be carried out in line with standard Departmental guidance.</p> <p>Example (Illustrative):  Total value of appraised projects (B) = £500 million  Total value of appraised projects scoring a benefit cost ratio of 2 or higher (A) = £350 million</p> <p>Percentage of Highways Agency's appraised project spending that is assessed as good or very good value for money = <math>(£350m/£500m) \times 100 = 70\%</math>.</p>
<b>Start Date</b>	The measure has been used since 2011/12 and reported in previous HA Annual Reports.
<b>Performance</b>	It is important to remember that BCR is not the only consideration when assessing VfM or approving a scheme. HM Treasury guidance supports a five case business model based on the strategic, economic, financial, managerial and commercial case.
<b>Behavioural Impact</b>	Collecting this data encourages the HA to ensure their schemes achieve the best value for money possible.
<b>Comparability</b>	This measure is not comparable with other countries.
<b>Collection Frequency</b>	Performance is published annually in the HA Annual Report.
<b>Clearance Process</b>	Major Projects Director.
<b>Time Lag</b>	N/A.
<b>Data Source</b>	HA and DfT modellers, conveyed via DfT (HA Major Projects).
<b>Type of Data</b>	Management data.
<b>Robustness and Data Limitations</b>	All value for money assessments are independently checked within the DfT to ensure they are an accurate reflection of the data and information generated from the scheme appraisal. Appraisal process is subject to extensive academic scrutiny and external assessment.

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<b>Collecting Organisation</b>	Highways Agency.
<b>Return Format</b>	Percentage.
<b>Geographical Coverage</b>	England only.
<b>How Indicator Can be Broken Down</b>	By scheme.