what works centre for
local economic growth

Monitoring and evaluation case study: Transport

A note on monitoring and evaluation of dependent development schemes

Context

Where a transport investment is considered likely to support the delivery of new housing, the Department for Transport (DfT) Transport Appraisal Guidance (TAG) framework allows for the inclusion of economic benefits associated with new housing in the scheme assessment. This can result in schemes that may have a weak Benefit to Cost Ratio (BCR) being funded, because the additional economic benefits of the housing elevate it to a higher Value for Money (VFM) category than the BCR alone.

The guidance defines a dependent development as:

"Induced investment where (1) there is a clear intention to develop a specific site; and (2) the existing transport network cannot reasonably accommodate the additional traffic associated with the development, hence the need for a transport investment".[1]

The guidance recognises that, while the development may depend on the completion of a road or rail improvement scheme, it may also depend on many other factors. It sets out various analytic tests to demonstrate the extent to which a development depends on complementary transport investment.

Aim of the project

Working with DfT between late 2017 and early 2018, the What Works Centre for Local Economic Growth reviewed housing delivery for schemes approved under the dependent development framework.

The project aims were:

1. To better understand how the framework had been used to date
2. To establish lessons learned to improve its application in the future
3. To improve the evaluation and monitoring process for those using the framework.

This short note outlines the findings and lessons learned.

What we did

At the time of the project, DfT were able to identify only six completed Highways England and local authority improvement schemes that used the dependent development framework or had the objective of housing as a component of their business case justification.

To understand each identified scheme, we considered the initial business case report in conjunction with post-opening project evaluations where they had been conducted. In addition, we made direct contact with the relevant local planning authorities to obtain the most up-to-date possible information on the planning and completion status of the housing developments.

The documents relating to each scheme outlined an intended housing target that was expected to be 'unlocked' for delivery alongside the construction of the scheme.

1 The guidance on dependent development is contained in the TAG Unit on Induced Investment Impacts: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/712890/tag-unit-a2.2-induced-investment.pdf.

The six schemes were all approved and subsequently completed between 2009 and 2014. The schemes identified are spread across various areas of England and are representative of various scales of transport improvement. The focus of this review was to understand the existing situation in the areas surrounding the six road improvement schemes, including delivery of the identified dependent development to date, and whether their progression was in line with expectations. Where completions deviated significantly from expectations, the review sought to establish an initial understanding of the barriers and challenges to housing delivery.

Given the limited number of schemes available and the caveats around the information that could be found for those schemes, we do not think it is particularly helpful to focus on the specific detail of each scheme. Instead, we focus on drawing out lessons learned for future monitoring and evaluation.

Findings

The six developments reviewed all had local considerations that affected the level of completion to date and progress towards their defined targets. Understanding the progress of each scheme's dependent development was challenging due to limited information on planned completion dates, phasing or build-out rates.

Based on the information collected for this review, in all but one case the target number of dwellings had been incorporated into the relevant Local Plans. However, permissions granted and housing delivery for all six schemes was — at that time — lower than the total predicted in the business cases. Of course, delivery will be phased over time and the total predicted housing may be delivered in due course: the six road projects had been complete for varying amounts of time ranging from three to nine years at the time we collected the information.

For three of the six schemes, the anticipated timescale to overall delivery was between 2026 and 2030. As the business cases did not give information on expected phasing, it was unclear as to whether housing delivery was behind or not. For one scheme, though, an unimplemented permission from 2012 had lapsed without any housing being delivered, despite the road infrastructure having been complete since 2008. For the remaining two schemes, since there was no projected end date, it is hard to know whether housing delivery was in line with, ahead of, or behind expected completion dates. This scheme had completed around 30 per cent and 40 per cent of anticipated housing, by six and nine years respectively after the road infrastructure was in place.

From conversations with those areas, it appeared that most were behind the expected schedule. Despite highway infrastructure now being in place, several of the schemes have struggled to deliver the forecasted housing. Conversations with local areas suggested this was typically because of difficulty obtaining planning permission, or the challenging market conditions associated with delivering homes in relatively new areas with limited cultural or social infrastructure to attract potential new buyers. Some of these factors, along with transport infrastructure itself, were acknowledged as constraints to delivery by Sir Oliver Letwin in his 2017 review of housing build-out rates.[2] Information about other constraints was not included in the appraisals we collected but, since this research was initially carried out, TAG guidance has been updated to require business cases to identify the non-transport complementary investment that might be required, and to assess the likelihood of it being delivered.

It is likely that some of the delay is associated with the recession and housing market slowdown from 2008 to 2009 and beyond. Some of the associated scheme evaluation reports cite the economic downturn in the late 2000s as a significant cause for the apparent delay and slowing of development, referencing a decline in the overall housing market strength across the UK. This is reflected in the Ministry of Housing, Communities and Local Government data which shows that neither new dwelling

2 Letwin, 'Independent Review of Build Out: Final Report', October 2018

starts nor completions in England and Wales have yet quite returned to a pre-crisis level. It is important to note that no counterfactual was identified for the purpose of this short review, so we cannot compare whether similar schemes without infrastructure development were developing at a similar rate, or slower or faster than the six schemes we considered.

However, as mentioned above, it is difficult to be sure to what extent these hypotheses are conclusive due to lack of information on what was expected in terms of development completion dates or phasing plans for the individual schemes.

Lessons

The purpose of the dependent development mechanism is to allow business cases to consider the broader role that transport may have in catalysing housing developments – particularly relevant at a time when housing is urgently needed across the UK.

It is important to note there are a relatively small number of completed schemes that have used the dependent development framework in the period considered (2008 to 2014) and so any findings should be considered preliminary rather than definitive. It is likely that more schemes have used the dependent development framework following the period considered, particularly with the introduction of the £5.5 billion Housing Infrastructure Fund available to local authorities for infrastructure to unlock housing. The fund is expected to unlock up to 650,000 new homes, with funding allocated between 2018 and 2024 to fund physical infrastructure such as roads, community facilities and utilities.

Nevertheless, this project revealed several possible improvements that could assist those authoring business case applications, as well as those reviewing and monitoring them, to ensure that, in future, policymakers are better able to understand whether infrastructure funded with the intention of supporting housing delivery is having the intended impact.

1. Given the infancy of the dependent development framework, systems and procedures to assess delivery viability and monitor progress had not yet been fully established. In addition, business case applications at the time of review were not required to incorporate explicit figures, timescales or precise locations of the dependent development proposed. This would be a helpful addition to future iterations of the DfT's TAG framework on the dependent development methodology. This might be particularly important for schemes where the dependent development covers a broader geographical context.

2. Gathering information about the schemes was difficult. Seeking measures to further streamline the approach to monitoring projects — for example by setting up a central repository of monitoring reports that are standardised in their format — would allow for effective future analysis and review. Establishing procedures with local authorities to receive regular updates on specific sites supported by local district annual completion data would also assist in regular monitoring.

3. Central and local government should give more consideration to how we might evaluate other schemes — such as the Housing Infrastructure Fund — to improve understanding.

This work is published by the What Works Centre for Local Economic Growth, which is funded by a grant from the Economic and Social Research Council, the Department for Business, Energy and Industrial Strategy , the Ministry of Housing, Communities & Local Government, the Department for Transport and the Department for Work and Pensions. The support of the Funders is acknowledged. The views expressed are those of the Centre and do not represent the views of the Funders.

E·S·R·C ECONOMIC & SOCIAL RESEARCH COUNCIL

HM Government