

Portfolio Holder - Transport and Highways

Decision to be taken on or after 23rd March 2012

Devolving Local Major Transport Schemes Response to Government Consultation

Recommendation

That the proposed response to the Department for Transport consultation “Devolving local major transport schemes”, as set out in Appendix B be approved.

1.0 Key Issues

1.1 Currently local authorities must submit a detailed major scheme business case to the Government to obtain funds for major transport schemes over £5m. Government are consulting on a proposal to devolve funding to new Local Transport Bodies (LTBs) based on the geographical boundaries of LEAs. It would then be for the new LTBs to prioritise a programme of major schemes, demonstrate value for money and determine the appropriate delivery bodies. This report sets out a proposed response to the Government consultation.

2.0 Discussion and Comment

2.1 On 31st January the Department for Transport published its consultation paper on the devolution of local major transport scheme funding. The consultation document sets out how the devolution process could work, the governance necessary, and the assurances required to ensure that investment returns are maximised.

2.2 Currently major scheme funding is accessed via direct bids to Government. Applications are expensive to assemble, requiring significant evidence and documentation. This work is undertaken at the scheme promoter’s risk, which can be a significant barrier to progress a scheme. Warwickshire has been successful in attracting major funding in the past for schemes such as Coleshill Parkway and Barford bypass.

2.3 The consultation paper proposes that bids for major scheme funding would no longer need to be submitted to the Department for Transport (DfT) for appraisal. Instead a new Local Transport Body (LTB) will receive a funding allocation and would be responsible for determining which schemes are funded. An LTB is proposed to be a formal group of Local Authorities, Transport Authorities, Local Enterprise Partnerships and other organisations based on the Local Enterprise

Partnership geographies which will programme and prioritise major transport scheme funding.

2.4 The proposal is to devolve funding from 2015/16 onwards to at least 2018/19. It is possible that the devolved funding would continue beyond this period. The level of funding would be formulae based. The government aims to publish indicative budgets for 2015/16 to 2018/19 by August 2012.

2.5 Currently DfT funded Major Schemes are defined as those costing more than £5m. The consultation proposes that the £5m threshold is removed, enabling smaller value schemes to be funded.

2.6 It is proposed by Government that membership of the LTBs would be locally determined and that LTBs should be led by democratically accountable bodies. The consultation paper clearly sets out that membership should include, as a minimum, the Local Enterprise Partnership (LEP), Local Authorities and Integrated Transport Authority (ITA). The consultation proposes different levels of membership ('full' or 'associate') which would be determined individually by the LTB.

2.7 A number of options are set out for the role of the LEP in any decision making process. The consultation paper and subsequent clarification makes it clear that Local Authorities are seen as having the primary role in the LTB. However, Government suggests that LEPs should also have an influential role which is welcomed for the business perspective that the LEP can bring.

2.8 The consultation is not asking respondents to set out how they would propose to form a Local Transport Body, or its membership at this stage. However, the timetable for implementation means that the Council will need to start discussions now with Coventry City Council and the Coventry & Warwickshire LEP about the structure of the LTB.

2.9 The consultation document sets out that a consortia of LTBs may enable strategic large schemes with cross boundary benefits to be more easily delivered. It is likely that some schemes in the Coventry and Warwickshire LEP area which may be suitable for major scheme funding will extend, or have strategic impacts, beyond its boundary (whether on the north-south or east-west transport corridors). However, the majority of schemes are likely to be within the LEP area boundary and many will be highway schemes. This suggests that a collaborative approach between Local Transport Bodies on a scheme by scheme basis would be sufficient to enable the any large strategic schemes to be delivered. It is not therefore envisaged that any permanent arrangements with adjacent LTBs will be necessary or appropriate.

2.10 The principles proposed in the consultation document are to be welcomed. The devolved approach would enable local priorities, including those of the LEP, to be better reflected, and would provide an opportunity for the scheme appraisal process to be streamlined and tailored to the scale of scheme.

2.11 Some specific questions and options have been posed in the consultation paper issued by DfT. These questions and various options are summarised in **Appendix A**. The full formal proposed response to the consultation is provided in

Appendix B. This response has been coordinated with that which Coventry City Council will be submitting.

3.0 Timescales associated with the decision

3.1 The closing date for responses to the consultation is 2nd April 2012.

Background Papers

Government consultation on Devolving Local Major Transport Schemes for the Next Spending Review Period

<http://www.dft.gov.uk/news/statements/grenning-20120131/>


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Appendix A

Table Summary of Consultation Questions, Specific Options and Council Response

Note: This is not the formal response to government and is presented for ease of reference between the proposed Council response to specific questions set out in Appendix B and the options presented in the consultation document.

	Question	Options	Response
1	<p>There is the possibility that some schemes could be larger than the entire budget for an individual LEP area. The Government has identified 3 options, to help promote strategic investment:</p> <p>Consultation Document Reference: 1.57</p>	<p>Option 1 Local transport bodies decide themselves to allocate funding for big schemes. This could be supported by a) a central encouragement to do so, or b) a requirement to do so, potentially in the form of a top-slice as a percentage of local majors allocation. This could be complemented by local transport bodies having the opportunity to identify one or two big schemes to be funded from the 'new' locally created strategic pot. To encourage an entirely bottom-up approach, an over-arching committee or body which is locally agreed, would need to decide which of the big schemes get funding. No further funding from the centre would be available as the centre would have already been allocated to individual Local Enterprise Partnership areas. This option, with a central requirement to allocate local funds towards big schemes, would ensure that each Local Enterprise Partnership area has the same opportunity to recommend a big scheme, and guarantees that there is a process for enabling schemes that promote strategic investment. However, not all local transport bodies will have a big scheme and some may perceive that they have lost out if a ring-fence of their allocation was necessary for schemes they have no interest in.</p>	
		<p>Option 2 There is a central competition run by the Department for big schemes, and for which the Department retains a top-slice of the total budget. An independent advisory committee could make recommendations to Government on what big schemes should be successful. This would keep open the option of funding big schemes, but would retain a bureaucratic central bidding process while limiting the extent which local transport bodies genuinely prioritise.</p>	

		<p>Option 3 There is no separate distinction for big schemes, and no central encouragement or requirement to help promote their delivery. Individual Local Enterprise Partnership areas would get a budget to prioritise whatever schemes were agreed locally. However, the Government would stand ready and willing to help facilitate effective partnership working, where there is a request or concern raised by a local authority or Local Enterprise Partnership. There is a risk with this that some local areas will decide not to deliver a local major scheme, but instead will bring forward very local, small-scale infrastructure. This infrastructure, however, might never have been possible under the previous system and may also be good value for money.</p> <p>GOVERNMENTS PREFERRED OPTION</p>	
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	Question	Options	Response
2a.	<p>The Government proposes that there are three models for involving Local Enterprise Partnerships in local transport decision-making. Each model differs in the extent of responsibilities the Local Enterprise Partnership assumes and therefore their final accountability for decisions, as follows:</p> <p>Consultation Document Reference: 1.40</p>	<p>Option 1 The Local Enterprise Partnership provides advice to the local transport body on what transport investment would best align with growth priorities. This option would give Local Enterprise Partnerships a clear means of influencing decisions but its advice would be non-binding and the Local Enterprise Partnership would have no formal decision-making role. This would be compatible with an 'associate' member status;</p>	X
		<p>Option 2 The Local Enterprise Partnership is a full member in a local transport body. It would have a say in the decision-making arrangements on an equal footing with other members. It would have joint accountability for decisions, which are made as part of the body – formal accountability for decisions would rest with the body as a whole; and,</p>	
		<p>Option 3 Where legally and financially possible, the Local Enterprise Partnership takes the lead role in the decision-making of local transport body or acts as the transport body itself. It would have the final say in decisions and it would take final responsibility for these decisions.</p>	

	Question	Options	Response
2b	<p>In terms of a formula for distributing the major scheme funding to LTB's, the Government proposes that the basic premise should be to keep it as simple and equitable as possible. The options include:</p> <p>Consultation Document Reference: 1.67</p>	<p>Option 1 Population (i.e. per capita) allocation, as per the former Regional Funding Allocation.</p> <p style="text-align: center;">GOVERNMENTS PREFERRED OPTION</p>	X
		<p>Option 2 Economic contribution in terms of employed earnings which excludes capital output, or another measure; and,</p>	
		<p>Option 3 A measure of transport need. This could use the integrated transport block or a subset of it, for example the elements on public transport (50%) and congestion (50%).</p>	

	Question	Summary of Response
3	<p>Do you have any thoughts or comments on assurance, in particular on whether there are any alternative ways of providing assurance other than putting in place some central criteria for local transport bodies to meet?</p>	<p>The provision of central criteria would seem a reasonable approach to achieve consistent levels of assurance following the devolution of funding. The three recommended principles appear to be a reasonable starting point for this.</p>

	Question	Summary of Response
4	Do you have any comments in relation to how local transport bodies should demonstrate that they are accountable to central Government for tax-payers' money and to local communities and citizens?	It is agreed that there is a need for clear accountability. We feel this would best be achieved through locally elected members sitting on a LTB's,

	Question	Options	Response
5a	There are two options for considering the extent of central assurance that might be needed about which strategic assessment framework(s) to use. Consultation Document Reference: 2.37	Option 1 Local frameworks to be based on the Department's Transport Business Case guidance, which sets out the current framework for investing in all transport schemes funded by the Department. The Transport Business Case enables considerable flexibility and judgement to be applied by local decision-making frameworks to come forward. This would ensure that there is a consistent quality standard across England which is in line with an established framework and HM Treasury Guidance. GOVERNMENTS PREFERRED OPTION	X
		Option 2 Local transport bodies develop their own frameworks which best fit local circumstances and priorities. However, these frameworks will need to be sufficiently robust and comprehensive to provide the same assurances on aspects included in the Transport Business Case.	

	Question	Options	Response
<p>5b</p>	<p>WebTAG represents a clear and well evidenced appraisal methodology. The Government believes there are three options for providing assurances on the appraisal of individual schemes, and welcomes views.</p> <p>Consultation Document Reference: 2.39</p>	<p>Option 1 The local transport body is required to appraise schemes in line with the Green Book. The Green Book presents the techniques and issues to be considered in appraisal, including social and environmental impacts. Local transport bodies might use the Department's WebTAG guidance as a source-book to make transport schemes Green Book compliant but WebTAG compliance would not be a requirement. This allows the greatest flexibility for local transport bodies to develop their own appraisal frameworks. It would need to demonstrate how users, affected parties and the public would be able to input into decision making, and proper account is taken of these views. If this option were pursued, the Government may have to narrow the scope of WebTAG for local major schemes, which has the following status: "The guidance should be seen as a requirement for all projects or studies that require government approval. For projects/studies that do not require government approval WebTAG should serve as a best practice guide."</p>	
		<p>Option 2 The local transport body is required to appraise schemes using WebTAG. This reduces the amount of flexibility offered to bring forward locally important methodologies, and ensures that the impact of schemes on transport objectives are considered, together with using common values and a well-evidenced standard methodology. This would help benchmark schemes across England and enable them to be compared, which may help any central auditing. For example, the Transport Business Case was updated to ensure that the investment committees have comparable information between schemes. This option does not preclude local transport bodies using other forms of analysis (not part of WebTAG) to inform the assessment and prioritisation of schemes, for example impact on GVA or local employment.</p> <p>GOVERNMENTS PREFERED OPTION</p>	
		<p>Option 3 Local transport body to appraise only some schemes in line with WebTAG. For example, those which are deemed important and contentious, or, are over a certain threshold, such as £20m. There would be criteria identifying why a scheme is considered important and contentious. This would mean taking a graduated approach to appraisal, reducing the local burden on appraising individual schemes, but ensuring that schemes considered to be impactful undergo a consistent, standard and independent level of appraisal.</p>	

	Question	Summary of Response
6	Do you have any comments on the proposed implementation timetable, and any practical issues raised?	Although challenging, we do not foresee any major problems with the proposed timetable

	Question	Summary of Response
7	Do you have any general comments on proposals to devolve decisions and funding, and on any residual role for the Department?	The proposal to devolve transport major scheme funding is welcomed. The conditions on accountability are supported.

	Question	Summary of Response
8	Do you have any other comments on any of the other areas covered in the consultation?	No other comments.

Appendix B – Devolving Local Major Transport Schemes – Proposed Response

Note : The format and questions below are as set out by the Department for Transport on their website.

Specific questions

Part 1: Local transport bodies – this section of the consultation document set out the context, rationale and objectives for forming local transport bodies. It also considers the options for distributing funding, facilitating strategic investment and the role of Local Enterprise Partnerships in decision-making.

1. Do you have any comments on the proposed role and membership, preferred scale and geographical scope in forming local transport bodies and consortia, in particular the options to facilitate strategic investment decisions and the types of schemes to be funded?

Response:

We are in agreement with the proposal to devolve funding based on LEP geographies. We fully support the proposal that decisions regarding the membership of a Local Transport Body (LTB) are to be taken locally and that the decision makers in an LTB should be democratically accountable to the area it serves.

Coventry forms part of the West Midlands ITA but Warwickshire is outside the ITA area. The role of the ITA in an LTB covering the Coventry and Warwickshire is therefore complex. Complications such as this should be left to be resolved locally which will require a minimum of prescribed requirements in the membership and roles of LTBs.

At the level of LEP geography it is likely that many schemes will be contained wholly within the LEP boundary. However, over time there may well be a need for schemes which either physically cover more than one LTB area or have benefits in more than one LTB area. In these circumstances it may be appropriate for a consortium of LTBs to form in order to fund a priority scheme. Over time for any particular LTB the need for such consortia may occur with different adjacent LTBs. Forming of consortia will therefore need to be allowed flexibly to suit different scheme boundaries over time.

We do not consider that there is a need for a large major scheme budget to be held centrally and therefore support **option 3** of the options set out to promote strategic investment (ref para 1.57). We feel that retaining centrally held budgets would:

- a) Defeat the objective of local decision making,
- b) Cause unnecessary additional costs, thus eliminating the efficiency savings identified; and,
- c) Create unnecessary competition between local transport bodies / consortia

*Maximum 400 words

2. Do you have any views on the membership of Local Enterprise Partnerships in local transport bodies, in particular whether they should have the final say in decision-making? Or on any other issues raised in relation to Local Enterprise Partnerships, and potential resourcing impacts?

Response:

We strongly support a central and influential role for LEPs in local transport bodies, recognising the ability which LEP have to direct potential levered funding opportunities and ensure a strong focus on local economic growth. However LEPs are not elected, and therefore are not democratically accountable organisations, therefore **option 1** is the preferred approach. (ref para 1.40)

Distributing major scheme funding on a population basis would appear to be the fairest and most cost effective solution and therefore we support **option 1** (ref para 1.67). This option also would also improve certainty for future funding allocations to assist long term planning, and is already a recognised tried and tested mechanism for distributing funding locally.

*Maximum 400 words

Part 2: This section of the consultation document explained the reasoning for providing assurances on governance, financial propriety and accountability for decisions. It also considered the options for the frameworks to support decision-making, meeting minimum quality standards on appraisal, and delivering value for money. It includes a proposed implementation timetable.

3. Do you have any thoughts or comments on assurance, in particular on whether there are any alternative ways of providing assurance other than putting in place some central criteria for local transport bodies to meet?

Response:

The need for assurance on use of funds delegated to LTBs is essential to ensure confidence in a system of devolved decision making. For reasons of efficiency and uniformity the proposal for a central assurance framework is supported. The principles set out in Section 2 are supported as a good basis for a central assurance framework.

We agree that it should be left to LTBs to determine requirements for match funding from third parties. The justification for and affordability of third party funding will vary widely by location and scheme type. Minimum requirements are not currently set for match funding for major schemes and it is considered inappropriate to introduce such requirements as part of devolved decision making. Local authorities have significant experience in securing match funding using their existing highways and planning powers.

*Maximum 400 words

4. Do you have any comments in relation to how local transport bodies should demonstrate that they are accountable to central Government for tax-payers' money and to local communities and citizens?

Response:

Local Authorities will form the core membership of LTBs. As democratically accountable bodies all local authorities have open and accountable procedures in place to demonstrate and account for their decision making and use of resources. It is envisaged that LTBs will make use of the procedures of their member local authorities to account for their actions and use of resources.

*Maximum 400 words

5. Do you have any comments on the options for appraising and evaluating schemes, in particular in order to meet and test value for money?

Response:

With reference to Para 2.37, we support the use of existing DfT business case guidance for developing a strategic assessment framework and therefore support **option 1**. Local transport bodies should have flexibility in how these are applied in order to ensure that the level of application is commensurate with the scale of scheme being considered and associated risks. Nevertheless, we consider that the basic principles of the guidance are appropriate and should be retained.

To assess the business cases for individual schemes the principles of WebTAG should be a good starting point, and therefore we support **Option 2** (ref para 2.39). However, we consider that it is critical that there is the ability for local transport bodies to set thresholds to determine the level of assessment required for schemes. With the removal of the £5M threshold, which is welcomed, a smaller scheme, perhaps £1M – £5M should not require the same extent detail in business case as a £30m+ scheme. It will be important that LTB has the ability to set such thresholds and bring in other objectives based on the LEP strategic priorities and economic drivers. These would sit alongside any WebTAG based appraisal in order to ensure that local needs are adequately addressed.

*Maximum 400 words

6. Do you have any comments on the proposed implementation timetable, and any practical issues raised?

Response:

Although challenging, we do not foresee any major problems with the proposed timetable. LTB's must submit proposals for sign off by Dec 2012. It would be useful to know when LTB's will receive feedback on their initial proposals as this will likely impact on the scheme prioritisation process which LTB's need to submit in April 2013.

*Maximum 400 words

General questions

7. Do you have any general comments on proposals to devolve decisions and funding, and on any residual role for the Department?

Response:

The devolution of major scheme funding is strongly welcomed. It is fully recognised that this must be on the condition that robust assurance is in place and that scheme assessments and accountability are clearly demonstrated.

*Maximum 600 words

8. Do you have any other comments on any of the other areas covered in the consultation?

Response:

No other comments.

*Maximum 400 words