



Report to the Solent Local Transport Body

Date: 27 February 2014

Report by: Stuart Baker and Mark Heath

tel: 02392 68 8676 / 023 8083 2371

email: stuart.baker@solentlep.org.uk/
mark.heath@southampton.gov.uk

Subject: Process for Confirming Funding and Adoption of Approved Assurance Framework

1. Summary

1.1 This report updates the Board on recent advice from the Department for Transport (DfT) on the status of the Solent LTB Assurance Framework and commitment of funding for prioritised schemes. In consideration of the advice and mindful of the routing of this funding through the Solent LEP, the report proposes a process for identifying value for money of investments and the process for committing funding. This proposed process necessitates minor updates to the Assurance Framework, which is attached and recommended for adoption.

1.2 The following decisions are sought:

That:

- a) The Board notes the letter received from the Department for Transport (attached as Appendix 1);
- b) The Board approves the updated Assurance Framework (attached as Appendix 2) for publication;
- c) The Board approves the process for the assessment of business cases and value for money statements; and
- d) The Board notes the preferred funding profiling.

2. Reason

2.1 To ensure funding intended for local major transport scheme projects is committed in accordance with the approved Assurance Framework and in a way that is consistent with the on-going funding accountabilities.

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- 3. **Other Options Considered and Rejected**
 - 3.1 Taking no action.
- 4. **Conflicts of Interest Declared by the Decision Maker or Other Executive Member Consulted – None.**
- 5. **Dispensation granted by the Conduct Advisory Panel – None.**
- 6. **Reason(s) for the Matter being dealt with if Urgent – None.**

Approved by: Date:

**Russell Kew - Chairman
Solent Local Transport Body**



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Purpose of the Report

This report updates the Board on recent advice from the Department for Transport (DfT) on the status of the Solent LTB Assurance Framework and commitment of funding for prioritised schemes. In consideration of the advice and mindful of the routing of this funding through the Solent LEP, the report proposes a process for identifying value for money of investments and the process for committing funding. This proposed process necessitates minor updates to the Assurance Framework, which is attached and recommended for adoption.

Recommendations

That:

- a) The Board notes the letter received from the Department for Transport (attached as Appendix 1);
- b) The Board approves the updated Assurance Framework (attached as Appendix 2) for publication;
- c) The Board approves the process for the assessment of business cases and value for money statements; and
- d) The Board notes the preferred funding profiling.

Introduction

1. Local Transport Bodies (LTBs) were established early in 2013 and charged with allocating devolved funding to prioritised transport schemes for the period 2015-16 – 2018-19. However, in the June 2013 Spending Review, the funding expected to be allocated to LTBs was diverted to form part of the £2billion per annum Local Growth Fund (LGF), to be channelled through Local Enterprise Partnerships (LEPs).
2. Each LTB submitted an Assurance Framework to DfT, which set out the purpose, structure and operating principles of the LTB, and how prioritisation and investment decision-making would take place.
3. A funding allocation was identified for each LTB, which provided the funding envelope within which a set of priorities should be developed. Locally £19.2million has been allocated to the Solent LTB area for the period 2015-16 to 2018-19. This is calculated on a per capita basis and will be sourced from the formulaic element of the Local Growth Fund.
4. The LTB has undertaken two prioritisation exercises. Both exercises were assessed independently and employed the same methodology, as previously reported to this Board. The priorities of the Solent LTB are set out in the table below. There has been no decision of this Board to commit funding to any transport schemes.

Scheme Name	Funding Request	Total Scheme Cost
Dunsbury Hill Farm Link Road, Havant	£ 4.54m	£ 8.54m
Station Quarter North, Southampton	£ 4.19m	£ 7.87m
The Hard Interchange, Portsmouth	£ 4.83m	£ 6.83m
A27 Improvements, Fareham	£ 4.96m	£ 6.61m
Total	£18.52m	£29.85m

5. In addition, the LTB, at its last meeting considered a further scheme, named Cross-Solent Ferry Interchanges. This scheme scored highest through assessment, but was not included in the prioritised list, as the proposers stated that it was not expected to commence delivery in 2015-16. However, we now understand from proposers that elements of this scheme are able to commence in 2015-16. The scheme costs are shown in the table below.

Scheme Name	Funding Request	Total Scheme Cost
Cross-Solent Ferry Interchanges	£14.86m	£29.94m

6. In accordance with the guidance to LEPs on Growth Deals, the draft Solent Strategic Economic Plan (SEP), being developed by the Solent LEP, included all four LTB priorities. In addition, the draft SEP includes the Cross-Solent Interchanges scheme for funding through the competitive element of the Local Growth Fund. This is in recognition of the importance to the economy of connectivity between the mainland and the Island.
7. It is recommended that all five schemes (the four LTB priorities and the Cross-Solent Interchanges scheme) develop business cases, so that the LTB over-programmes, to ensure there are schemes for delivery should any of the four priorities encounter unforeseen difficulties. The approach to over-programme is in accordance with section 2.3 of the Assurance Framework.

Letter from the Department for Transport

8. On 28 June 2013, DfT confirmed that Parts 1 and 2, were approved. As a result the published version of the Solent LTB Assurance Framework includes only Parts 1 and 2.
9. The Solent LTB received a letter from the DfT on 23 December, 2013. The letter (attached as appendix 1) provides an update on the status of the Solent LTB Assurance Framework, the schemes which can be considered for funding, and the conditions by which LTBs may firmly commit funding.
10. However, the recent letter from DfT confirms that Parts 1 and 2 and those sections of Part 3 that relate to value for money are approved. As such, those sections of Part 3 that relate to value for money (sections 3.1 - 3.6) that were previously approved by this Board at its inaugural meeting on 7 June 2013, have been reinstated (Appendix 2). Following approval by DfT, the Board is asked to approve the attached version of the Assurance Framework for publication.
11. The letter states that LTBs may commit funding to transport schemes that feature on prioritised lists in advance of Growth Deals being agreed, provided that this is in accordance with the signed-off Assurance Framework, and that the funding commitment does not exceed the confirmed formula allocation (£19.2million).
12. Section 3.2 of the Assurance Framework sets out the steps to be followed in advance of committing funding. These steps are reproduced in the table below. Section 3.2 also states that "*All business case development costs are at the risk of the scheme proposer and the LTB*

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reserves the right to re-direct funding at any point prior to Full Funding Approval.”

Step 7:	Study approach agreed and invitation to develop a Full Business Case formalised.
Step 8:	Full Transport Business Case developed with WebTAG assessment undertaken by scheme promoter.
Step 9:	Business Case submitted to LTB for assessment
Step 10:	Publication of Business cases on the Solent LTB website and commencement of three month consultation period.
Step 11:	Independent scrutiny of the Business Case for each scheme, with a Value for Money Statement provided on each scheme.
Step 12:	LTB make a final decision on funding, based on a review of the Business Case, the independent scrutiny, and consultation responses
Step 13:	Confirmation of funding award.

13. Again, as stated in section 3.2 of the Assurance Framework, ordinarily, there will be a formal agreement between the accountable body for the LTB and the delivery body. This would happen after step 13.

“There will be a formal agreement between the LTB and the delivering LTA when funding is approved for a scheme. This will set out the responsibilities of both parties, including reporting and audit requirements.”

14. It is clear that under the Local Growth Deal programme, funding will be allocated to the accountable body for the LEP. In recognition of this, the recent DfT letter states that the Section 151 Officers of the LTB accountable body and the LEP accountable body must be content with any approval process. This is important, as, if funding does not materialise – for whatever reason – it would be the accountable body which would have committed the funding. Therefore, the formal agreement would be between the Solent LEP accountable body and the delivery body.
15. The accountable body for the Solent LTB is Hampshire County Council, whilst for the LEP it is Portsmouth City Council. Both Section 151 Officers would need to give consent to expose their local authority to the commitment of funding. Section 1.8 of the Assurance Framework sets out the roles of the accountable body.
16. Mindful of the above uncertainties and complexities, and mindful of ensuring that this significant level of public funding is invested securely, it is important that a robust and transparent process for the commitment of funding is established that is in accordance with that set out in the approved Assurance Framework.

Process for Commitment of Funding

17. The process for producing a business case, their subsequent assessment and the commitment of funding is set out in the approved Assurance Framework in sections 3.1 – 3.6 of Part 3.
18. It is recommended that the process for committing funding, as set out within the Assurance Framework, is augmented to reflect the aforementioned complexities and that the LEP (and its accountable body) will be responsible for the use of these funds as part of the wider Local Growth Deal settlement.
19. Sections 3.1 to 3.5 of the attached Assurance Framework set out the process proposers must follow to demonstrate value for money. Proposers of the four prioritised schemes must develop a full Transport Business Case – at their own cost. This is in accordance with advice from DfT and is necessary before public funding can be committed as it will provide evidence of transport benefits, economic outputs, deliverability, value for money and risks, amongst other evidence. This process has previously been approved by the Board.
20. Independent scrutiny of all aspects of each proposal is to be provided by an Investment Panel (section 3.1 of the Assurance Framework). In particular, this will scrutinise the transport business case, the forecast economic outputs (such as jobs, housing and employment space), deliverability and the value for money statement, and so will draw on a range of expertise independent of the scheme promoters.
21. In accordance with the approved Assurance Framework, the LTB needs to procure the services of a WebTAG expert to review the value for money statements from a transport perspective. This expertise will be provided by one of the Investment Panel members. It is considered that sufficient funding exists within the LTB budget to cover this work.
22. In developing Business Cases, it must be remembered that scheme promoters have already submitted detailed applications that were based on the DfT five business case model (Strategic, Economic, Commercial, Financial and Management) and given that all schemes are requesting public funding of less than £5million, which was previously the threshold above which major scheme business cases needed to be prepared, then it is recommended that a proportionate approach to the business case is adopted.
23. It is recommended that scheme promoters and the Investment Panel meet to agree an update to the submitted application to reflect any changes that may have taken place in the interim and to provide further evidence on areas identified by the Investment Panel.
24. Scheme promoters would then, using the original application as the basis, develop a proportionate business case, which would then be reviewed by the Investment Panel.

25. To harmonise with wider Local Growth Fund decision-making, it is proposed that the advice of the Investment Panel is presented to the Solent Local Growth Panel. The Solent Local Growth Panel has been established by the Solent LEP and comprises members from business, education and local authorities, who consider funding opportunities and information, and make recommendations to the Solent LEP Board. Scheme promoters would also be provided with an opportunity to present their schemes to the Local Growth Panel.
26. It is then proposed that any decision to pre-commit funding would be made by the Solent LEP Board (at which, all LTB Member organisations would be present). Confirmation of funding would follow the completion of the Local Growth Deal negotiations and signing of contracts.
27. It is recommended that the Board approves the above process for commitment of funding.

Scheme Profiling

28. Finally, the DfT letter confirms the funding allocation profile, with £7.2million available in 2015-16 and the remainder (£12million) of the £19.2million formula allocation available in 2016-17.
29. Based on the advice of scheme promoters of the four prioritised schemes, the draft SEP set out a funding profile of £13.6million in 2015-16 with the remainder (£5.6million) in 2016-17. This reflected the proposed delivery of Dunsbury Hill Farm Link Road, Station Quarter North, and The Hard Interchange, in 2015-16, with the A27 Improvement scheme being delivered in 2016-17.
30. Scheme proposers have since reviewed delivery and, following the outcome of this, officers initiated discussions with DfT to seek an amendment to the funding allocation profile to reflect preferred delivery profiling. This is set out in the table below.

Scheme Name	Start Date	Completion Date	2015-16 Claim	2016-17 Claim
Dunsbury Hill Farm Link Road	30-06-14	29-05-15	£4.54	£-
Station Quarter North	29-09-14	18-12-15	£4.19	£-
The Hard Interchange	19-03-15	17-02-16	£4.83	£-
A27 Improvements	04-01-16	14-02-17	£0.87	£4.09
Total	-	-	£14.43	£4.09

31. DfT has confirmed that a re-profiling of funding to accord with the above is acceptable.
32. The Board is asked to note this profiling.

Conclusion

33. This report has updated the Board on the contents of a recent letter from DfT on the status of the Solent LTB Assurance Framework and the process for committing funding. The letter raises complexities and exposures that present an opportunity to harmonise decision-making with the wider Local Growth Deal process.

Section 100 D - Local Government Act 1972 - background papers

The following documents disclose facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report.

NB the list excludes:

1. Published works.
2. Documents which disclose exempt or confidential information as defined in the Act.

TITLE

LOCATION

To be completed