

## HAMPSHIRE COUNTY COUNCIL

### Decision Report

<b>Decision Maker:</b>	Executive Member – Environment and Transport
<b>Date:</b>	3 April 2012
<b>Title:</b>	Department for Transport Consultation – Local Transport Bodies
<b>Reference:</b>	3798
<b>Report From:</b>	Director of Economy, Transport and Environment

**Contact name:** Stuart Baker

**Tel:** 01962 846741

**Email:** [stuart.baker@hants.gov.uk](mailto:stuart.baker@hants.gov.uk)

### 1. Executive Summary

1.1. The purpose of this paper is to set out details of the recently published Department for Transport (DfT) consultation on proposals to devolve funding and decision making on local major transport schemes to new organisations termed Local Transport Bodies (LTBs). LTBs will be based on the geography of Local Enterprise Partnerships (LEPs). This paper reviews the key elements of the consultation document and recommends the principles that should form the basis of the County Council's response to the consultation. The consultation closes on 2 April 2012.

### 2. Existing System for Major Transport Scheme Funding

2.1. The Coalition Government has made it clear that it wants to end top-down government by providing devolution of power and financial autonomy to local authorities. Part of this process has involved a rationalisation of grant funding streams for transport, which have been reduced from 26 to just four:

- Block funding for small transport improvements schemes (capital);
- Block funding for highways maintenance (capital);
- Local Sustainable Transport Fund (capital and revenue); and
- Major schemes (capital).

More recently, new and smaller funding streams have been announced, including the Better Bus Area Fund and the Supporting Community Transport Fund.

2.2. Block funding for small transport improvements and highways maintenance are distributed by formula grant to Local Highway Authorities, whilst the Local Sustainable Transport Fund (LSTF) is a £560 million fund that can be

accessed through a competitive bidding process. The County Council has been successful, having been awarded £4.1 million of the LSTF for its bid for the Hampshire Sustainable Transport Towns project and having been one of just 13 areas invited to submit a business case for £17.84 million for South Hampshire. A decision on the latter is expected in June 2012.

- 2.3. The last of the four grant streams is for major schemes. From 2005, DfT administered the transport element of the Regional Funding Allocation (RFA) Programme, which was intended to provide local authorities with capital funding to introduce highway and public transport schemes (>£5 million) that would otherwise be unaffordable. This was abolished in October 2010, when a competitive process was put in place to rationalise the RFA programme.
- 2.4. The Government has stated its ambition to devolve prioritisation and funding for local major transport schemes to local areas and has recently set out its proposals within a DfT consultation paper titled: "*Devolving local major transport schemes.*" The remainder of this paper considers the implications of the consultation for the County Council and the principles that should form the basis of its response to the consultation.

### **3. The Consultation Paper**

- 3.1. The Government is seeking views on a new system for prioritising and funding local major transport schemes to take effect from March 2015 (the next spending review period). However, as local major transport schemes can take, on average, four years to move from business case to construction, the Government is keen to implement change now.
- 3.2. Central to the proposals in the consultation document is the formation of democratically accountable LTBs. Government's intention is for Local Transport Authorities and LEPs to take influential roles in decision making, although the membership would be for local areas to decide.
- 3.3. As transport infrastructure is seen as a key facilitator of economic growth, the Government is seeking to ensure that local major transport schemes are supportive and that funding and decision making is aligned with local economic growth ambitions as set by LEPs. The Government is proposing that the starting point for new LTBs should be the LEP geography. Nevertheless the consultation strongly emphasises that it is for local areas to decide what will work best for them and the Government is keen to support these decisions.
- 3.4. Hampshire is covered by two LEPs; the Solent LEP (covering the Hampshire districts of Eastleigh, Fareham, Gosport, Havant in full and East Hampshire, Test Valley and Winchester in part, as well as the Unitary Authorities of Isle of Wight, Portsmouth and Southampton) and the Enterprise M3 LEP (covering the Hampshire districts of Basingstoke & Deane, Hart, New Forest, Rushmoor in full and East Hampshire, Test Valley and Winchester in part, as well as seven districts in Surrey).

#### **4. Local Transport Bodies**

- 4.1. The primary role of LTBs would be to agree, manage and oversee the delivery of a programme of transport schemes beyond 2015 up to, as a minimum, 2018-19 on behalf of their LEP area. This would involve agreeing a programme of schemes within an indicative range of devolved funding by scoping, prioritising and agreeing the programme. Prioritisation should be agreed locally and must be evidenced, robust and transparent, with the resultant programme demonstrating a fit with strategic growth, promoting sustainable development, reducing carbon emissions, and consistency with Local Transport Plans.
- 4.2. There would be a requirement of each LTB to publish the programme of schemes for investment, together with the basis for prioritisation and the business cases for individual schemes. The LTB would oversee and monitor the delivery of schemes and evaluate the achievement of outcomes.
- 4.3. LTBs would not be responsible for delivery, which they would delegate to the relevant delivery body (the Local Highway Authority, Network Rail, or the Highways Agency).
- 4.4. In return for devolution, the Government would need assurances on governance and financial management arrangements, accountability for decisions and achieving value for money. To this end, the Government would seek to establish legally binding agreements, setting out the terms of devolution.
- 4.5. Membership of LTBs is open to all local authorities (including District Councils) in England (outside London), with membership by Local Transport Authorities seen as “crucial” given their expertise and experience in delivering local major transport schemes and their democratic accountability. Local Transport Authorities may sit on more than one LTB. Participation of Councillors in LTBs is also preferred, to assist accountability. Membership of the LEP on which the geography of the LTB is based is urged, although not a requirement. The extent of Membership (full or associate) should be agreed locally. Representation from other partners such as Network Rail and Highways Agency (as associate members) is also possible.

#### **5. Models for inclusion of Local Enterprise Partnerships in Local Transport Bodies**

- 5.1. The Government proposes three models for involving LEPs in local transport decision making:
  - a) **Option 1:** The LEP provides advice to the LTB on what transport investment would best align with growth priorities. The advice would be non-binding and the LEP would have no formal decision making role.
  - b) **Option 2:** The LEP is a full member of a LTB and would have decision-making arrangements on an equal footing with other members and have joint accountability for decisions.
  - c) **Option 3:** Where legally and financially possible, the LEP takes the lead role in the decision-making of the LTB or acts as the LTB itself. The LEP

would have the final say in decisions and it would take final responsibility for these decisions.

- 5.2. Whilst the Government believes that the extent of the role of LEPs in LTBs should be left to local discretion, they are clear that LEPs should have a central and influential role to ensure alignment with economic priorities. In consideration of this, Option 2 would seem to be the most appropriate model.

## **6. Local Transport Consortia and 'Big' Major Transport Schemes**

- 6.1. Local Transport Consortia (LTC) is the term used in the consultation paper for groupings of LTBs that may wish to work together to promote larger transport schemes. Past experience would suggest that a small number of large (>£75 million) major schemes will come forward and it is these schemes that LTBs may wish to jointly promote through a wider consortia. This could include schemes on the Highways Agency network.

- 6.2. DfT sees LTCs being formed by groupings of LTBs to promote 'big' major transport schemes that offer mutual benefits to the promoting LTBs.

- 6.3. To ensure 'big' transport schemes continue to be developed and delivered, the Government proposes three options:

- a) **Option 1:** LTBs are encouraged or required by central government to allocate a proportion of their grant to create a 'strategic pot', ring-fenced for 'big' schemes. This could be pooled across LTBs within a consortia to fund schemes of strategic significance within a wider area. A decision on the allocation of the 'pooled' fund would be made by an over-arching committee made up of members of the LTBs within the consortia.
- b) **Option 2:** A central competition run by DfT for large schemes, for which the DfT would retain a top-slice (up to 35%) of the total major schemes budget.
- c) **Options 3:** No requirement for LTBs to promote large schemes, with LTBs free to prioritise their budget how they wish.

- 6.4. The Government's preference is for Option 3. However, Option 1 may be more appropriate, but without a 'requirement'. Within this option there would be an onus on central Government to take a strategic view and advise LTBs accordingly. This would ensure that this important strategic function and overview is not a casualty of the devolved structure and will help ensure the County Council is able to take a holistic view across the whole of Hampshire, whatever the final make up of LTBs and LTCs in the area.

## **7. Distribution of Funding**

- 7.1. It will be for the LTB to decide which schemes are regarded as the highest priority, and unlike the current major schemes arrangements there will not be a £5 million lower threshold for defining a major scheme.

- 7.2. LEP geography will be the starting point for the distribution of funding. In terms of a distribution formula the Government proposes three options:

- a) **Option 1:** Population (as per the former Regional Funding Allocation).
- b) **Option 2:** Economic contribution in terms of employed earnings.
- c) **Option 3:** A measure of transport need.

7.3. The Government's preference is for Option 1, and this seems appropriate.

7.4. It will be for the LTB to propose who receives the funding, and this could be one Local Transport Authority or a number of Authorities.

7.5. In line with recent funding provision requirements, the Government is keen to continue to see third party contributions to transport investment.

## **8. Scheme Appraisal, Value for Money and Risk**

8.1. The role of central Government in appraising and approving individual business cases will be removed. In its absence and to ensure a transparent and consistent framework to prioritise and appraise schemes, the Government identifies two options:

- a) **Option 1:** Local frameworks to be based on the DfT's Transport Business Case Guidance.
- b) **Option 2:** LTBs develop their own frameworks which best fit local circumstances.

8.2. The Government's preference is for Option 1 as this would provide consistency across England and allow for like for like comparison.

8.3. To ensure minimum quality standards on appraisal, the Government promotes the use of its appraisal methodology as set out, online, in webTAG (DfT's web-based Transport Appraisal Guidance). Three options are proposed:

- a) **Option 1:** LTB required to appraise schemes in line with the Green Book. In this option LTBs might use webTAG guidance as a source-book to make transport schemes Green Book compliant, but webTAG would not be a requirement. This allows LTBs to develop their own appraisal frameworks.
- b) **Option 2:** The LTB is required to appraise schemes using webTAG. This would help benchmark schemes across LTB areas.
- c) **Option 3:** LTB to appraise only some schemes in line with webTAG (for example over a £20 million threshold).

8.4. The Government's preference is for Option 2, which, again, would provide consistency across England and allow for like for like comparison.

## **9. Implementation Timeline**

9.1. The deadline for responses to the consultation paper is 2 April 2012. In August the Government expects to indicate major schemes funding allocations. By December this year LTBs should submit proposals for sign-off of governance. By April 2013, LTBs should have agreed their programme of priorities for delivery from 2015.

## **10. County Council Response to Consultation**

- 10.1. It is very important that the County Council is fully involved in this process and as local highway authority it must have a central role in LTBs. Given the County Council's expertise in developing and delivering transport schemes, its membership is essential to ensure alignment with other local transport investment.
- 10.2. It is recommended that the County Council responds to the consultation document, welcoming the proposed establishment of LTBs and LTCs and the opportunity that they will afford for local areas to make decisions on major transport scheme expenditure.
- 10.3. LTBs should be established, comprising full membership for the relevant Local Transport Authorities and LEAs. The establishment of LTC should also be welcomed as the basis on which to promote 'big' major transport schemes that have a wider spread of economic benefits. However, it is recommended that the County Council responds outlining its view that the Government should continue to play a role in promoting major transport schemes of strategic significance across LEA areas. In the absence of this, there is a danger that schemes of regional and national importance may be overlooked, compromising economic recovery.
- 10.4. The next key stage will be for the geography of LTBs and LTCs involving Hampshire to be agreed. The County Council needs to support working within a wider LEA geography that is flexible enough to meet its needs, whilst at the same time ensuring that local autonomy is not compromised. For example a LEA would be unlikely to agree to pooling all of its funding allocation to a consortium, without a clear demonstration as to how this would drive local economic growth.
- 10.5. A potential option for wider working could be through a 'standing' LTC of individual LTBs. A 'standing' LTC (for example covering the LTBs established for the Solent, EM3 and Coast 2 Capital LEA areas) would provide a useful mechanism through which to promote key strategic transport schemes of mutual benefit, to develop innovative funding solutions, and also to lobby central Government on shared priorities, whilst recognising decision making is taken at a local level.
- 10.6. Such a structure would leave each LTB to, in addition, form separate LTCs with other LTBs to pursue other schemes of mutual benefit. Working collaboratively across LEA areas would bring a number of advantages through reduced costs of business case preparation, shared governance, the ability to pool funding for strategic schemes, exerting influence outside of individual LEA areas, and providing a more powerful voice.
- 10.7. The County Council response should agree with the Government view of the need for consistency in scheme appraisal so that value for money of prioritised schemes across the country can be compared.

## **11. Recommendations**

11.1. That a County Council response to the consultation be prepared and submitted based on the following principles, and the approach set out in the report:

- Welcomes the proposed establishment of Local Transport Bodies and Local Transport Consortia and the opportunity that they will afford for local areas to make decisions on major transport scheme expenditure.
- Supports Full Membership of Local Transport Bodies being restricted to the relevant Local Transport Authorities and Local Enterprise Partnerships.
- Supports the need for consistency of scheme appraisal and business case development
- Urges the Government to continue to play a role in promoting major transport schemes of strategic significance across Local Enterprise Partnership areas.

11.2. Authority be given for initial work with relevant Local Enterprise Partnerships and Local Transport Authority Partners on the establishment of a Local Transport Body and Consortia structure representative of the Local Enterprise Partnership geography of Hampshire, for consideration by the County Council.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

<b>Hampshire safer and more secure for all:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Maximising well-being:</b>	yes
Corporate Improvement plan link number (if appropriate):	
<b>Enhancing our quality of place:</b>	yes
Corporate Improvement plan link number (if appropriate):	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

DocumentLocation

None

## **IMPACT ASSESSMENTS:**

### **1. Equalities Impact Assessment:**

- 1.1. The proposals in this report have been developed with due regard to the requirements of the Equality Act 2010, including the Public Sector Equality Duty.

### **2. Impact on Crime and Disorder:**

- 2.1. It is considered that the issues covered by this report will not have impacts requiring further specific actions by the Council above those already established in its existing policies and working procedures.

### **3. Climate Change:**

- a) How does what is being proposed impact on our carbon footprint/energy consumption?

The proposed principles to underpin a County Council response to the DfT consultation document do not impact on our carbon footprint/energy consumption.

- b) How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

It is important that the County Council responds to this consultation to influence the devolution of major scheme funding so that the County Council continues to play an important role and as a consequence ensures that the local major scheme programme is resilient to climate change.