

Report to the Transport for South Hampshire Joint Committee

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Subject: Recent Government Initiatives and Announcements

Purpose of the Report

This report provides a summary of recent key central Government policy announcements relating to transport and, in light of these, considers how TfSH may wish to position itself moving forward. This report also updates the Committee on two new funding sources, and requests agreement to a proposed approach to bidding to the Local Sustainable Transport Fund.

Recommendations

- 1. That the contents of this report be noted.**
- 2. That the proposed approach to bidding to the Local Sustainable Transport Fund be approved.**
- 3. That officers explore options for the establishment of a separate forum to facilitate public/private sector joint working.**

Introduction

1. Since taking office, the coalition Government has set out its agenda on public sector funding, local governance and transport policy through a series of statements, policy documents and funding decisions. These policy shifts are having a significant impact across the local government sector and more widely. Whilst each TfSH authority is taking action to respond to this new operating environment, it is appropriate that TfSH should now review its strategic direction.
2. As a strategic cross-boundary partnership, working with strategic and local stakeholders, there are benefits for TfSH in aligning its strategy with that expected of local areas by central Government. In so doing, opportunities to benefit from the limited national transport funding may be increased. This is not a one-way, subservient relationship, however, and

it will be important for TfSH to interpret central policy within its local context.

Local Growth: Realising Every Place's Potential

3. A White Paper entitled *Local Growth: Realising Every Place's Potential* was published on 28 October 2010. It introduces a number of measures that aim to promote 'Localism' (recognising that where the drivers of growth are local, decisions should be made locally) and return power to local areas, with the desired outcome of national economic growth through local growth. The approach recognises that each place is different, and the lack of policy prescription seeks to enable places to respond in their own ways to the broad policy framework.
4. The importance of transport infrastructure in connecting people, places and markets is seen as an important aspect of promoting growth and transport investment is recognised as a vital enabler of growth.
5. The role of central Government in supporting local growth focuses on three themes:
 - (i) shifting power to local communities and businesses;
 - (ii) promoting efficient and dynamic markets and increasing confidence to invest; and
 - (iii) focussed investment.

Shifting power to local communities and businesses

6. 24 Local Enterprise Partnerships (LEPs) were announced in the White Paper, and locally this included the Solent LEP, which comprises the PUSH area and the Isle of Wight. LEPs will not be defined in legislation and it is accepted that LEPs will differ across the country in both forms and functions.
7. The range of roles that LEPs are expected to take on include:
 - (i) working with Government to set out key investment priorities and supporting or coordinating project delivery;
 - (ii) coordinating proposals or bidding directly for the Regional Growth Fund (see paragraphs 12–24); and
 - (iii) becoming involved in delivery of other national priorities such as digital infrastructure.

8. LEPs are encouraged to embrace partnership working in respect of transport, housing and planning, as part of an integrated approach to growth and infrastructure delivery. LEPs are also expected to consider what local infrastructure is needed to enable growth in the low-carbon sector. LEPs will be free to develop strategic planning frameworks to address economic development and infrastructure issues within their area.

Promoting efficient and dynamic markets and increasing confidence to invest

9. The White Paper commits to limiting central Government involvement in the planning system – for example in nationally important infrastructure projects. The Government's aim is to reduce bureaucracy and time taken in formulating major scheme business cases.
10. A number of initiatives are being progressed to incentivise development and growth. A New Homes Bonus will be introduced in 2011-12 and will match-fund the additional council tax for each new home and property brought back into use, for each of the six years after that home is built. In addition, a Business Increase Bonus scheme is to be introduced, rewarding those authorities where growth in the business rates yield exceeds a threshold, by allowing them to keep the increase – up to a certain level – for a period of six years. There are also proposals to enable councils to retain locally-raised business rates.
11. The Government will introduce new borrowing powers to enable authorities to carry out Tax Increment Financing (TIF); this will require legislation. TIF will enable councils to borrow against future additional increases in their business rates base, in order to fund key infrastructure and other capital projects.

Focussed Investment

Regional Growth Fund (RGF)

12. The key announcement under *Focussed Investment* was the opening of bidding for the Regional Growth Fund. The objectives of the RGF are to:
 - (i) stimulate enterprise by providing support for projects and programmes with significant potential for economic growth and create additional sustainable private sector employment; and
 - (ii) support in particular those areas and communities that are currently dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity.

13. Of the £1.4 billion available from the RGF over three years, £580 million will be capital and £840 million will be revenue (which can, however, be capitalised). Revenue funding can be capitalised, however. The size of the fund will be broadly the same in each year. There is a possibility that the third funding round may not materialise, with all funding being distributed in the first two rounds.
14. All areas of England are eligible to bid for the RGF, although some parts of the country – particularly where there is currently high employment, low levels of deprivation and a vibrant private sector - may struggle to demonstrate how they meet the second objective. It is widely anticipated that the majority of this fund will be directed to areas of the Midlands and the North of England.
15. An independent advisory panel will review applications to the fund and make recommendations to Ministers on schemes that fulfil both objectives.
16. There will be no ring-fencing of the RGF and no preferential status attached to any one type of bidder, with LEPs and private or public-private partnerships able to submit bids. However, it is clear that bids supported by LEPs will stand a greater chance of success.
17. Successful bids are expected to be those that demonstrate a compelling contribution to delivery of sustainable increases in private sector employment and economic growth. Applications to the fund must be of a minimum threshold of £1 million. This threshold does not preclude the inclusion of smaller projects, which should be presented as a coherent package. Bids will take one of three forms:
 - (i) individual projects: these bids will individually need to meet the minimum £1 million threshold;
 - (ii) project packages: these will either (a) bring together a number of small (less than £1 million) projects in a coherent way that collectively meets the minimum bidding threshold; or (b) represent a strategic partnership of individual projects that individually already meet the £1 million threshold, but together present a more compelling proposal. It is in this type of bid that LEPs are viewed as having a coordinating role;
 - (iii) programmes: this is designed to make provision for a collaborative approach to delivering smaller proposals that are too diffuse to be included within specified project packages, yet fall within the broader remit of a strategy for economic growth. This form of proposal is particularly targeted at social enterprises. Programme proposals will not be available in the first bidding round.

18. Bids to the RGF should meet the following criteria:
- (i) sustainable private sector growth - bids should:
 - (a) create additional sustainable private sector growth, including social enterprise;
 - (b) demonstrate and quantify the number of additional private sector jobs created; and
 - (c) demonstrate financial backing from the private sector.
 - (ii) rebalancing the economy - bids should:
 - (a) set out the extent to which people living in areas where the local economy is reliant on the public sector will benefit; and
 - (b) demonstrate how the bid will create sustainable private sector-led growth and prosperity.
 - (iii) additionally – bids should:
 - (a) demonstrate that the proposal is unlikely to go ahead in the absence of RGF support; and
 - (b) provide evidence of commercial and market failure arguments;
 - (iv) value for money;
 - (v) state aid compliance; and
 - (vi) green economic growth.
19. The first round of bidding closes on 21 January 2011, resulting in a short time for bid formulation. This first round will be a single stage process, and no more than half of the first year's allocation of the fund will be available. The second round will open in early 2011 and will be a two-stage process, with expressions of interest initially to be presented, before full bids are invited by the Government from those that are considered to be the most promising.
20. Whilst it is accepted that areas in the South East of England are likely to be considered as a lower priority than bids from other parts of England, it is felt that the South Hampshire area has 'a good story to tell', with parts of the area meeting both of the objectives of the Fund (in particular, the two cities and Gosport). In consideration of this, the Solent LEP is coordinating the submission of a single package bid for the LEP area. In line with the cross-policy area focus of the RGF, the

Solent LEP bid will cover a range of policy areas, of which transport will be one element.

21. TfSH officers have sifted a number of potential transport interventions against the restrictive RGF criteria, which includes the ability for funding to be spent by the end of March 2014 and the readiness of bids for a January submission. This has resulted in two schemes being identified for inclusion within the Solent LEP single bid:
 - (i) Platform Road, Southampton;
 - (ii) M27 Junction 5;
22. The Platform Road scheme will remove the existing one-way gyratory system around Queen's Park and provide a two way route along Platform Road from Town Quay, improving access into the Port of Southampton at Dock Gate 4. The current road layout suffers from congestion, particularly during traditional weekday peak periods. However, the significant growth in the number of cruise passengers handled by the Port is now also creating additional congestion problems during the mid-day period. These problems are likely to worsen, as the recently published Port Master Plan anticipates that cruise passenger traffic will double over the next 20 years.
23. The M27 Junction 5 improvement scheme involves full signalisation of the existing grade separated interchange and the provision of dedicated left slip lanes on all arms of the junction. The scheme will directly benefit the sub-regional economy through the provision of improved journey time reliability, reduced delays associated with peak period congestion, improved capacity, accessibility, and safety improvements at a key motorway junction. M27 Junction 5 is vitally important in national and regional strategic terms being located adjacent to Southampton International Airport and Southampton Airport (Parkway) Station and also in close proximity to the Port of Southampton. Improvements are essential to enable planned economic growth in the area to take place and to facilitate regeneration in Southampton and Eastleigh (including the regionally significant Eastleigh Riverside employment site).
24. TfSH officers will provide appropriate assistance to Partnership for Urban South Hampshire officers to develop the RGF bid.

Local Sustainable Transport Fund

25. The Comprehensive Spending Review announced on 20 October 2010 outlined the Government's intention to invite bids to a Local Sustainable Transport Fund (LSTF).
26. The Local Sustainable Transport Fund (LSTF) will make available £560 million over four years for local authorities outside London to bid for

funding to support packages of transport interventions that support the twin goals of local economic growth and reduced carbon emissions in their communities. Bids should deliver cleaner environments and improved air quality, enhanced safety and reduced congestion. The capital (£210 million)/revenue (£350 million) mix attached to the LSTF is particularly welcome, as TfSH has argued for greater revenue elements in such funds.

27. The Fund is open to Highway Authorities, who will be able to bid for small packages of under £5 million and larger packages of up to £50 million over the Fund period (2011-12 – 2013-14). The split of the £560 million fund over the period is shown in the table below.

	2011-12	2012-13	2013-14	2014-15	Total
Revenue	£50m	£100m	£100m	£100m	£350m
Capital	£30m	£40m	£60m	£80m	£210m
Total	£80m	£140m	£160m	£180m	£560m

28. Guidance on this fund was expected to be released in December 2010, but has been delayed until January 2011. However, interim details were released on 13 December.
29. In the limited information available, the Government has stated that measures likely to be funded could include encouraging walking and cycling, initiatives to improve integration between travel modes and end-to-end journey experiences, better public transport and improved traffic management schemes. The Government has indicated that its focus is likely to be on 'smarter choice' interventions.
30. Two bidding rounds are planned, with the first closing in April 2011, and the second at 'a later date'. Importantly, only one bid per highway authority can be successful. Those authorities that are successful in Round One will not, therefore, be able to bid in later rounds.
31. Bids that lever in private sector funding and involvement of the community and voluntary sectors are likely to be viewed more favourably.
32. Given the Government's preference for cross-boundary working, there may be advantages in the TfSH authorities submitting a single bid covering the whole functional economic area/travel to work area of TfSH. Indeed, in highly urbanised areas such as South Hampshire, travel patterns do not respect administrative boundaries, so it is wholly appropriate that transport problems are tackled strategically.
33. It is proposed that a TfSH LSTF Steering Group (including representation from South Hampshire Bus Operators Association) is established to coordinate a significant bid to the LSTF in April. It is also proposed that the focus of the bid would be a sub-regional public transport smart card system, which is likely to be consistent with the

Government's agenda. Whilst the focus of the package would be the smart card system, this would be supported by other interventions including public transport, public realm enhancements, walking and cycling, active traffic management, personalised journey planning, and other behavioural change measures. Each of these elements would be developed by separate sub-groups, reporting to the Steering Group, to formulate a package bid for the TfSH area.

34. A stakeholder group would also be established to enable engagement with the private sector, which is likely to strengthen the quality of the package submitted and accord with the emerging central Government expectation of local government.
35. The TfSH Evidence Base (see agenda items 4 and 5) is programmed to be available for use from March 2011 and (in conjunction with the Portsmouth Western Corridor Model) will be available to support the bid and help to direct interventions to those areas where the greatest benefits can be realised.

Localism Bill

36. The Localism Bill was introduced to Parliament on 13 December 2010. The rationale behind the Bill is to shift power from central Government back into the hands of individuals, communities and councils. The Government expects the provisions of the Bill to result in a radical shift in the balance of power and to decentralise power as far as possible. A central tenet of the Bill is 'Localism', which seeks to push power downwards and outwards to the lowest possible level, including individuals, neighborhoods, professionals and communities as well as local councils and other local institutions.
37. There are a number of provisions contained within the Bill, but few that will have any direct impact on transport. Rather, it is the shared move from the central to the local, and the encouragement for local communities to engage in wide-ranging activities, that represent the real shift of which TfSH should be mindful as it addresses strategic transport issues. The following points summarise the areas that are of particular interest from a transport perspective:
 - (i) a 'community right to challenge', will provide community groups, employees and Parish Councils with the right to bid to a Council to take over the running of a service where they feel that it could be run better;
 - (ii) a new duty on local councils to hold local referendums. The local authority must hold a referendum if it receives a petition signed by 5% of the electors and is a local matter (defined in legislation). The results of the referendum are non binding and can relate to issues outside of the council's direct control;

- (iii) formal abolition of Regional Spatial Strategies (locally, the South East Plan);
- (iv) transfer of national infrastructure decisions to the Secretary of State from the Infrastructure Planning Commission (eg port schemes, new rail lines);
- (v) duty to cooperate – the Government is introducing a duty to cooperate to ensure that local authorities and public bodies cooperate with each other; and
- (vi) the Bill introduces three changes to the Community Infrastructure Levy. Firstly, the Bill includes provisions to make regulations requiring some of these funds to be passed to neighbourhoods where the development has taken place. Secondly, it makes clear that funds can be spent on the ongoing costs of infrastructure, as well as the initial costs of new infrastructure. Lastly, it gives Local Planning Authorities greater control over setting their charging levels.

Local Transport White Paper

38. The Department for Transport Business Plan (2011-15) states that a Local Transport White Paper will be published in January 2011.

How TfSH may respond

39. At the November 2010 Joint Committee meeting approval was given for work to commence to use the available evidence tools to develop a Long Term Strategic Implementation Plan for TfSH. In developing the Implementation Plan meaningful engagement with the private sector and the Solent LEP will be important, but the Plan will also need to accommodate the 'localism' agenda.
40. Despite the Government's stated aim of shifting power to the local level, TfSH should not lose its strategic focus. Whilst it is true that the Government expects 'localism' to permeate the work of the public sector, its view is that this should be driven from the bottom up and so can be considered within the scale of individual local authority areas. However, there are varying scales to 'localism', and it is suggested that a role for TfSH should be to drive forward the cross-boundary strategic issues of mutual concern and engage with stakeholders at both the strategic and local levels where this will deliver better outcomes.
41. Following on from this, consideration should be given by TfSH to how it will engage the private sector in meaningful dialogue about delivering economic and employment growth. The Joint Committee is not necessarily the most suitable forum for open discussion with the private sector, and consideration should therefore be given to the establishment of a separate forum to facilitate public/private sector joint

working. Consideration will need to be given to how Members are engaged through this forum. A proposal will be reported to the April Joint Committee.

42. It will be important for TfSH to provide strategic transport advice and leadership for the South Hampshire area, where transport is seen as an enabler or barrier to growth.

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

Rpt/ref/KW/SB