

**DERBYSHIRE COUNTY COUNCIL**

**CABINET MEETING**

**3 April 2012**

Report of the Strategic Director – Environmental Services

**DEVOLVING LOCAL MAJOR TRANSPORT SCHEMES  
(HIGHWAYS AND TRANSPORT)**

**Introductory Summary** Government supports the delivery of local major transport schemes through a dedicated funding stream which has been available for a number of years for schemes costing more than £5 million. At present, no new schemes are being added to programmes funded from this source, but the intention is that budgets are set from 2015/16, to be allocated to new 'local transport bodies'. These, it is suggested, should be groupings of local transport authorities aligned to Local Enterprise Partnerships (LEPs). Government is seeking views on a number of questions around how best to put this proposal into practice, primarily around governance and ensuring best value. These questions are set out within the body of this report, together with a proposed County Council response.

(1) **Purpose of the Report** To agree a County Council response to Government consultation on the devolution of decision-making and funding for local major transport schemes.

(2) **Information and Analysis** Over recent years, capital funding support from Government for local highways and transport services has been organised through three main streams, supplemented at times by further specific grants. The three principle streams are:-

- Formula-based 'block' funding for maintenance.
- Formula-based 'block' funding for integrated transport.
- Funding for major projects.

The first two of these, although recently reduced in line with other Government budgets, remain significant in size, and amount to an annual total of approximately £20 million for the maintenance and improvement of Derbyshire's highways and transport infrastructure. The specific schemes funded through these grants are set out in Environmental Services Department's Service Plans (the latest update of which is reported separately to this meeting).

It has been acknowledged over a long period by successive Governments that, across the country as a whole, larger projects tend to be excluded from programmes supported by block funding because they are difficult to accommodate without detriment (or at least delay) to essential local road safety and maintenance schemes. In response, separate grant funding has been made available for larger schemes which, for the most part, have been defined as those costing more than £5 million. Derbyshire has been able to take advantage of this funding stream for the Ilkeston - Aysworth Link Road and for major highways infrastructure within Markham Vale, in both cases opening to traffic during 2008.

Whilst the availability of 'major project' funding and the £5 million eligibility threshold have been constant for some years, the processes to be followed in order to gain access to the funding have changed over time. These have included, originally, a simple process of the promoting authority presenting a 'business case' to Government for a specified proposal and, subsequently, English regions being asked to consider their priorities against a nominal budget and to advise Government of these. The current Government, inheriting a preparation programme of schemes which was no longer affordable, closed this programme to new entrants whilst consideration was given to how best the funding stream should be administered beyond 2014-15. Proposals for the process have now been formulated and are the subject of a consultation exercise which forms the subject matter of the remainder of this report.

Government's approach to the administration of a major project funding stream can be summarised as a move towards local decision-making and accountability. Government considers that it is not the appropriate place for deciding solutions to local transport problems. Democratically accountable local transport authorities are viewed as the recipients of funding determined by formula to reflect local needs, with Local Enterprise Partnerships (LEPs) playing an influential role in deciding its allocation. LEPs are seen as the starting point for the building of 'local transport bodies' to administer the funding stream. It is recommended that consideration be given to the inclusion of all local authorities within each LEP area, rather than just transport authorities. It is also, though, recognised that Government retains an interest in ensuring that suitable procedures are in place to handle accountability, and risk and to ensure value for money. A further issue reflected in the consultation is that it is felt that, given the likely levels of funding available, a formula allocated to a local transport body covering an individual LEP would leave many unable to fund essential projects, and that they should look, where appropriate, to form a larger consortium.

The emphasis in Government's consultation on the relationship between major project funding and LEPs means that, for Derbyshire, there is a need for considerable dialogue with other interested parties, each of which has its own

procedures to follow before it can be established to what extent there is a shared view on the best way forward. The County Council's own formal consideration of the questions posed, though, is a vital part of the process and a suggested response is set out below to the specific questions posed.

**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?**

### **Suggested Response**

Whilst it is acknowledged that across many parts of the country the issues of the level of available resources is more difficult, the Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) LEP geography is such that this represents a sensible basis for a local transport body. Subject to the views of the other local authorities within this grouping, the County Council would see it as viable. With regard to options for the funding of schemes regarded as 'strategic' at a national level, it can be argued that should a particular scheme be demonstrably of sufficient merit, local transport bodies will form a consortium and pool their resources in order to ensure its delivery. However, the retention of some resources at national level to deal with the most pressing strategic issues, primarily on the motorway network, is viewed as inevitable. Inclusion of borough and district councils in the local transport body would raise difficult issues over governance and accountability. These are already playing important roles in Local Transport Plan preparation, hence setting the transport strategy, and the County Council would not favour direct representation for them on the local transport body.

**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?**

### **Suggested Response**

Local transport bodies will need to ensure, and will wish to ensure, that there are transparent processes in place for the views and expertise of LEPs to be taken into account in decision making. A local transport body based upon the D2N2 geography would need to seek input from the Sheffield City Region as well as D2N2 itself as there is an overlap between the two LEPs. Only local authorities, though, are in a position to accept accountability and to accommodate risk and contingencies. It should be the case that the final say on allocation of funding rests with those who will be held responsible for its delivery.

**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?**

**Suggested Response**

The essential requirement with regard to assurance is that each local transport body has in place a clear governance structure under which it will administer its funding. Wherever there is more than one local authority involved, though, it is inevitable that this will be put in place for local purposes; no individual authority will wish to see its own nominal allocation being subsumed within a collective allocation for its local transport body without absolute clarity over how this will be administered. In turn, local transport bodies will almost certainly wish to cascade accountability to whichever local transport authority receives funding so that they are left to accommodate the risks to delivery against their own schemes. Government should need to do no more than satisfy itself that appropriate procedures are in place within each body, irrespective of whether these are the same in each case.

**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?**

See response to next question.

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

**Suggested Response**

It is the view of the County Council that, whilst it is acknowledged that Government will quite rightly wish to ensure value for money from this funding stream, it is difficult to reconcile local accountability with any form of national appraisal system. It is not deemed necessary for any central scrutiny to take place over a scheme costing up to £5 million met from block allocations, and it is hard to argue that this should be any different for larger schemes. Most of these will require evidence to be presented in support of planning applications, land assembly or other processes, and the promoting authority is responsible to its community in the same way as it is for the delivery of any other form of service. If Government does see a need for central appraisal of schemes, it should give serious consideration to a threshold of at least the £20 million as suggested in the consultation.

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

**Suggested Response**

The proposed implementation timetable is for local transport bodies to have in place governance arrangements by December 2012 and to have an agreed delivery programme by April 2013. This presents no difficulties as long as local transport bodies are left to take their own decisions and to be held accountable for them, and are not subjected to centralised requirements over governance and appraisal.

**Do you have any general comments on proposals to devolve decisions and funding, and on any residual role for the Department [for Transport]?****Suggested Response**

The principles of devolution are sound and, as long as these are carried through in full, represent a better system for the allocation of major project funding than either the regional allocations system or case-by-case Government scrutiny.

**Do you have any other comments on any of the other areas covered in the consultation?****Suggested Response**

The consultation deals with options for the formula to be used for determining the allocation for each local transport body. Options presented are population, economic contribution or transport 'need'. Although there are established criteria in place for the last of these, they are not necessarily a better indicator of the justification for major project funding than population. Economic contribution represents the most controversial of the three in that it suggests that funding tracks those places which are already strong, in relative terms, so could serve to exacerbate economic inequalities.

The responses above, subject to Cabinet's views, represent a County Council stance on issues which will receive responses from other bodies within the D2N2 geography and elsewhere. The consultation timetable (restricted to eight weeks) is not likely to allow individual responses such as this to be taken into account in any joint submissions. Further reports will be brought to Cabinet in due course, though, on implications of the resulting processes for the County Council.

The County Council views the removal of the £5 million threshold for major projects as being an opportunity to bring forward schemes, particularly those costing between £1 million and £5 million, which have tended to be excluded from programmes under current arrangements. A lower threshold, linked with selection criteria ensuring benefits to economic performance, would be a helpful step.

(3) **Financial Considerations** None associated directly with this report. The processes to be put in place over major project funding will, in due course, influence the County Council's eligibility for capital grant.

(4) **Property Considerations** There are no property considerations associated with this report.

In preparing this report the relevance of the following factors have been considered; legal, prevention of crime and disorder, equality and diversity, human resources, environmental, health and transport considerations.

(5) **Key Decision** No.

(6) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(7) **Background Papers** The consultation materials on Devolving Local Major Transport Schemes can be found on the Department for Transport website [dft.gov.uk](http://dft.gov.uk) or from the Environmental Services Department. Officer contact details - Jim Seymour, extension 38557.

(8) **OFFICER'S RECOMMENDATION** That Cabinet approves the comments made in the body of the report as the County Council's response to Government consultation on Devolving Local Major Transport Schemes.

**Ian Stephenson**  
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