

Committee	Cabinet
Date	18 October 2005
Report By	Director of Transport and Environment
Title of Report	Financial Planning Guidelines for Local Transport Plans
Purpose of Report	To consider East Sussex County Council's response to the Department for Transport's consultation on Financial Planning Guidelines for Local Transport Plans

RECOMMENDATIONS

The Cabinet is recommended to:

- 1. welcome the Department for Transport's proposal for a formula-based approach to Integrated Transport Block funding;**
 - 2. request phasing in of the formula-based approach over a period of three years;**
 - 3. accept the Department for Transport's proposed changes to the highway maintenance funding formula; and**
 - 4. accept the Department for Transport's draft guidance on Delivery Reports for Local Transport Plan 1, including its preferred format.**
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1. Financial Appraisal

1.1 Minor capital schemes (i.e. those costing less than £5m), which are included within the Local Transport Plan (LTP), are "funded" by Government through the Integrated Transport Block (ITB) and the allocation of so called "supported borrowing approvals".

1.2 The Department for Transport's (DfT's) proposed formula based approach to calculating ITB would lead to an increase in the allocation of "supported borrowing approvals" for the County Council, especially if the three-year phasing-in option was chosen over the five-year option. The County Council's average annual indicative Local Transport Plan 1 (LTP1) allocation of £3.3m would rise to £5.84m in 2010/2011.

1.3 As a 'floor' authority, there would not however be a real increase in revenue grant to repay the debt. The annual announcement and allocation is, however, reflective of the quality of the LTP and delivery against targets. This in turn has a major impact on the CPA score for the Environment Block and, therefore, take up of increased borrowing – with the associated borrowing costs – would need to be considered as part of the Council's overall priorities within the Reconciling Policy and Resources exercise.

2. Supporting Information

2.1 The Government has set a provisional financial framework for second Local Transport Plans (2006/07 – 2010/11) by rolling forward allocations previously made in 2000 for first Local Transport Plans (2001-2006). The provisional framework is now being replaced by more formal guidelines based upon a formula allocation. The DfT asked for comments on the draft guidelines by 12 October 2005 and a copy of this report has been sent to them pending ratification by Cabinet.

2.2 The DfT considers that using a formula will not account for every local circumstance but will replace a difficult-to-understand and outdated approach, based on a variety of ill-defined elements. The formula outlined in Appendix A is based on four components:

- public transport patronage data;
- road casualty data;
- a surrogate measure of pollution and congestion; and

- an accessibility measure based on the Government's Index of Multiple Deprivation.

2.3 The Local Government Association's/Government's Shared Priorities for Transport have been used as the basis for the formula, and each component has been given a weight to reflect the proportion of money spent on it at a national level.

2.4 Local authorities will be affected in different ways by the changed approach, with some winners and some losers. The DfT is therefore proposing a phasing-in of the new approach, over three or five years, and has asked for comments on the two alternatives.

2.5 The County Council would theoretically gain from the new funding approach. The East Sussex ITB guideline will be £5.84m in 2010/11, compared with an annual average LTP1 allocation between 2001/02 to 2005/06 of £3.3m, as illustrated in Appendix B. The County Council would receive an additional £1.817m of so called 'supported borrowing' (but see para 1.3) between 2006/07 and 2010/11, if the three year phasing-in period were to be implemented, compared to the overall ITB sum under the five year option.

2.6 There will continue to be a performance-related aspect to the allocation of ITB, so that an authority could receive an allocation of up to 25% greater or 25% less than its planning guideline. The figures quoted assume that all the ITB is allocated according to the new formula.

2.7 The DfT is suggesting lesser changes to funding guidelines for capital highway and bridge maintenance, and street lighting. It is proposed to remove bridge funding on the Principal Road Network from allocations for highway maintenance and to provide a specific allocation for the first time for street lighting, though not in addition to the total made available for all maintenance. I consider that these proposals are acceptable to the County Council.

2.8 LTP1 is coming to the end of its implementation period, and the DfT is proposing pro-forma based reports as a means of appraising the success or otherwise of the first LTP. The aim is to achieve a broad idea of how local authorities have performed in about twelve strategy themes and twelve programme areas. Clear guidance is given in draft form on the content and structure of the reports and on how to complete the pro-formas. The DfT suggests a less-onerous option for reporting which would give a more restricted view of performance. As the reports will influence future funding, I would recommend supporting the full version as the preferred option.

3. Environmental Issues

3.1 The ITB enables the County Council to implement transport measures which reduce motor vehicle pollution and address other environmental aspects of road traffic.

4. Conclusion and Reason for Recommendation

4.1 The draft Financial Planning Guidelines for the ITB introduce a more objective, formula-based funding regime than that operating currently, while maintaining incentives for local authorities to improve their performance in the local transport field. It seems likely that the County Council will benefit from the proposals, especially if a three year phasing-in period is put in place. Reporting arrangements for the first Local Transport Plan appear logical. I consider the proposals in the draft Guidelines can therefore be accepted.

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12 October 2005 C18October-FinancialPlanning-LTP

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BACKGROUND DOCUMENTS

Department for Transport (2005) *Financial Planning Guidelines for Local Transport Plans – Consultation Paper*; & Provisional East Sussex Local Transport Plan 2006-2011.

PROPOSED LTP2 PLANNING GUIDELINE FORMULA FOR CONSULTATION

The Department for Transport proposes to base the formula on the shared central local government priorities for transport. The five elements of the shared priority are:

- public transport
- road safety
- tackling pollution
- tackling congestion and
- accessibility.

The data used to assess the formula, and weighting is set out below:

Component	Dataset	Weighting
Public transport	Bus patronage data	30%
Road Safety	Road safety casualties (1994 – 1998 average)	20%
Pollution	Number of designated air quality management areas	5%
Congestion	Basis of the population and how urban an area is; with larger urban areas (greater than 100,000 and to a lesser extent between 50,000 and 100,000) being allocated more per head of population than other areas.	25%
Accessibility	Index of Multiple Deprivation data with consideration of number of non-car owners.	15%
	Rural Areas: Number of people living outside settlements of more than 25,000	5%

PROPOSED FUNDING ALLOCATIONS FOR PLANNING GUIDELINE (EAST SUSSEX)

Option 1: 2006/07 to 2010/11 Guideline with Formula Phased-In Over 5 Years

	Average Annual Indicative LTP1 Allocations (£000s)	Guidelines (£000s)					5-year guideline
		2006/07	2007/08	2008/09	2009/10	2010/11	
East Sussex	3,300	3,647	3,996	4,563	5,177	5,840	23,222
South East	81,100	81,452	81,871	86,413	91,204	96,259	437,200
Shire Counties	226,623	228,242	230,046	243,468	257,657	272,658	1,232,071
National	521,428	521,000	521,000	547,106	574,519	603,308	2,766,933

Option 2: 2006/07 to 2010/11 Guideline with Formula Phased-In Over 3 Years

	Average Annual Indicative LTP1 Allocations (£000s)	Guidelines (£000s)					5-year guideline
		2006/07	2007/08	2008/09	2009/10	2010/11	
East Sussex	3,300	3,879	4,462	5,296	5,562	5,840	25,039
South East	81,100	81,731	82,429	87,292	91,666	96,259	439,378
Shire Counties	226,623	229,445	232,452	247,258	259,647	272,658	1,241,460
National	521,428	521,000	521,000	547,106	574,519	603,308	2,766,933