

Report to	<b>Lead Cabinet Member for Transport and Environment</b>
Date	<b>25 July 2005</b>
Report By	<b>Director of Transport and Environment</b>
Title of Report	<b>Transport Major Schemes Guidance</b>
Purpose of Report	<b>To consider the County Council's response to the Department for Transport's draft guidance on the funding of major transport schemes</b>

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## **RECOMMENDATIONS –**

**1. To inform the Department of Transport that the County Council welcomes the proposed guidance on the submission to the Government of major transport schemes, but requests:**

- (a) greater clarity on the submission of complex transport schemes;**
- (b) assurances that the Department is committed to meeting its own responsibilities as laid out in the guidance; and**
- (c) greater clarity as to the Department's expectations on the issue of stakeholder involvement and public consultation.**

**2. To request the Department of Transport to issue, as soon as possible, guidance on:**

- (a) the funding of preparatory costs for major transport schemes; and**
  - (b) the effects of the Government's proposals on three-year local government financial settlements on major transport schemes.**
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## **1. Financial Appraisal**

1.1 The County Council is committed to meeting identified transport needs in East Sussex but is not able to fund more than a small proportion of major scheme costs from its own resources. The Government has largely funded major transport schemes through a mixture of grant and borrowing approvals, and the draft guidance is intended to combine previous guidance with a variety of procedures that have grown up through custom and practice. Proposals in the draft guidance should give greater certainty to the County Council when bidding for major scheme funding, potentially reducing uncertainty and risk when setting the County Council's budget. However, there remains a lack of clarity about funding scheme preparation costs and about the effects on transport proposals of the forthcoming three-year local government funding regime. The Department for Transport has promised guidance on these issues.

## **2. Supporting Information**

2.1 New draft guidance on bidding for the funding of major transport schemes has been issued by the Department for Transport. 'Major' in this context generally means schemes valued at £5m or more, and the County Council currently has only one project in this category: the Bexhill to Hastings Link Road. The Department has asked for comments on the draft guidance by 30 September 2005 and the purpose of this report is to consider how the County Council should respond.

2.2 The guidance is intended to introduce more rigour and certainty into the process of developing and funding major local transport schemes, with the core of the process being the Major Scheme Business Case submitted to the Department. The draft guidance contains a system of checks and balances which are designed to give comfort to the Department about scheme progress and also greater certainty to the Authority about the timing and extent of funding.

2.3 The Major Scheme Business Case includes: fitting the transport proposal into the wider policy context, an economic and technical scheme appraisal, managing the delivery of the scheme, financial assurances and how the project will be procured from suppliers.

2.4 There is flexibility in the draft guidance to accommodate unusual or experimental schemes, with clarity as to the exact criteria the Department will employ in considering bids. The Department therefore appears willing to take forward advances in transport planning.

### **3. Comments/Appraisal**

3.1 While the overall thrust of the guidance is positive, further work is required.

3.2 Major schemes may include a number of separate aspects and/or multiple contracts and the draft guidance requires amendment to take account of scheme complexity.

3.3 While the proposed guidance places new duties on local authorities to progress schemes in line with agreed guidelines and to fall in with a staged approval system, it also imposes a similar discipline on the Department for Transport. The County Council will need assurance that the Department will keep to its own side of the bargain regarding the agreed stages within the process.

3.4 The draft guidance emphasises improved project management, cost control and better forecasting of expenditure. Again, more active involvement in the monitoring of scheme progress by the Department and Government Offices is promised and local authorities will need to see evidence that this will in fact be forthcoming.

3.5 I am concerned about the intention to take greater account of regional priority setting when bidding for schemes, and suggest that the County Council should ask for the opportunity to put forward schemes which might not fit neatly within regional priorities, but which are considered essential to meet local needs.

3.6 Proposals for stakeholder involvement may involve some additional work for the County Council, which may be difficult to resource, especially if this is expected to take place on top of any necessary statutory consultation.

3.7 Gateway Reviews for schemes which are considered to have high levels of risk or uncertainty should be welcomed. However we should express concern that the process should not add to scheme costs in a way which the authority would find difficult to support.

3.8 Funding of scheme preparatory costs is a particular topical area of concern for the County Council. I understand that appropriate guidance is forthcoming, and more substantive comment will be possible then.

### **4. Environmental Issues**

4.1 Government funding of major local transport schemes enables local authorities to implement strategies for local transport which contribute to the reduction of greenhouse gases and general local environmental improvements. The guidance will therefore have a positive or neutral effect on the management and improvement of the environment.

### **5. Conclusion and Reason for Recommendation**

5.1 Details of the impact of three-year local government financial settlements on the progress of major schemes are awaited from the Department. It is therefore difficult to comment on this potentially major aspect of the funding stream at present. However, if the new regime results in greater certainty and confidence on the part of both local authorities and the Government on both the progress and funding of major transport schemes, it should be welcomed.

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Local Member(s): All

#### **BACKGROUND DOCUMENTS**

Guidance to Local Authorities seeking DfT funding for transport major schemes, Department for Transport, April 2005.

**TRANSPORT MAJOR SCHEMES GUIDANCE****Further Information**

- A2 Transport schemes can be complex, but there is no clarity within the guidance about how multiple element and multiple contract projects will be dealt with. An example of complexity would be a major public transport scheme involving bus priority, traffic management works and physical realignment of the highway as well as a modified bus timetable.
- A3 Ministerial endorsement is required at the end of the scheme approval process full approval within the Department for Transport. Concern has been expressed by consultees that endorsement may not be forthcoming within quotation deadlines set by contractors.
- A4 Transport schemes are regularly turned down for funding by the Government a long way down the road of development, and sometimes in the immediate pre-implementation stage, because of cost overruns. The draft guidance is addressing this issue with a firm policy on cost increases as opposed to the previous emphasis on economic appraisal. Supported Capital Expenditure approval will only be forthcoming if the project passes agreed milestones agreed between the Department and the local authority. East Sussex County Council has its own Gateway Project Review Process for strategically important projects and is therefore to a large extent already following the spirit of the draft guidance on scheme progress and review.
- A5 Prioritisation of transport schemes by the Regional Assembly is a particular issue for smaller, more rural local authorities like East Sussex. Transport schemes considered as major and urgently required to meet local transport needs may not actually be given priority within regional lists of schemes. A measure of autonomy should be given to promoting authorities to decide their own priorities. An example (not covered by the draft guidance) is the development by a consortium of local authorities and others (including the South East England Development Agency) of capacity enhancement proposals for the Ashford to Hastings railway. This proposal has been criticised by officers of the Regional Assembly as not fitting in with the Assembly's own priorities.
- A6 Public and stakeholder consultation is a valuable but resource-intensive element of the development of transport schemes. It would be helpful if the final guidance could outline how the Department will agree the extent of consultation required on individual schemes with the promoting local authority.
- A7 There is concern among local authorities over how transport scheme preparatory costs are to be borne, and what criteria the Department will use in assessing the need for these costs to be reimbursed. There has been a substantial recent increase in preparatory costs with consequent pressure on the local authorities' budgets. It is difficult for an authority to justify a major spend on preparation costs, perhaps running into millions of pounds, for a scheme which may not receive full Government approval at a later stage, particularly when the financial pressure on other service areas, e.g. education, is immense. Where a scheme has regional or national priority, but is not necessarily a top priority for the local authority, it is even more important that the financial burden of taking the scheme forward to the beginning of construction does not fall unequally on the authority.