



From the Secretary of State

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Councillor Peter Box
Chair LG Group – Economy and
Transport Programme Board
Local Government Group
Local Government House
Smith Square
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30 November 2010

Dear Peter

LOCAL TRANSPORT FUNDING

Thank you for your letter of 3 November 2010 on various elements of the Department for Transport's local transport funding offer for the forthcoming Spending Review period.

Local Sustainable Transport Fund

The changes we are making to the number of funding streams, and the funding being transferred into Formula Grant, represent a real shift in the balance of local transport funding towards general grants, maximising the flexibility availability to local authorities over how funding is spent locally. These changes consolidate funding from over ten separate bid-based transport grants existing in 2010/11.

I am determined that the application process for the new Local Sustainable Transport Fund is designed to minimise the workload on authorities. For example, I expect local authorities to draw on existing information gathered for their Local Transport Plans in submitting proposals to the Fund. I have asked my officials to discuss with yours the proposed terms of the guidance on the application process, which we plan to publish next month.

Highways Maintenance Efficiency Programme

Your letter mentions your Product Based Productivity Programme (PBPP) and its drive for efficiency. I am highly supportive of this work, and fully agree that the PBPP and DfT's Highways Maintenance Efficiency Programme (HMEP) should complement each other and avoid duplication. Our focus must be on getting clear, practical advice to local authorities in the most coherent way possible.

Nonetheless, the HMEP is about developing detailed and technical guidance and toolkits to a very specific market of highways maintenance professionals, to address a long-standing need. It is on this basis, reflecting the extent of the challenge, that DfT has established a time-limited two-year fund to support the local authority maintenance sector.

We are already taking steps to make sure that HMEP is aligned with PBPP. Andrew Smith OBE, Chief Executive for Hampshire, PBPP work stream lead on procurement and the construction lead on the National Improvement and Efficiency Partnership (NIEP), has agreed to become the local authority champion for the HMEP. We have discussed with him how to deliver maintenance efficiencies using the LGA/NIEP as the primary outlet.

Officials are due to meet Rob Whiteman from the LGA in early December to discuss how, collectively, we can best support local highway authorities. We shall also be formalising an offer to the LGA to participate in the HMEP communication work stream. My lead official on the HMEP, Julian Abel (020 7944 6735) would be more than happy to discuss this sector-led initiative with your officers.

Reform of bus subsidy arrangements

You asked how we intend to take forward the review of Bus Service Operators Grant (BSOG) and highlighted the LGA's proposals for a devolved system of subsidies. I recently met the Passenger Transport Executive Group who also raised the question of devolving BSOG. As I explained to them, my main concern is to ensure that any new system does not give operators a reason to raise fares and reduce service levels.

Before I make any decisions, I am keen to see what could be proposed by consensus between local authorities and operators. My officials will work closely with yours (and with pteg) on reforms to bus subsidy to take that agenda forward. I also intend to take into account any conclusions from the Competition Commission's review of the bus market before announcing any proposals for change.

I hope this reply is helpful and gives you assurance that we are fully committed to involving the LGA as we take these initiatives forward.

A handwritten signature in black ink, appearing to read 'Philip Hammond', written in a cursive style.

PHILIP HAMMOND