

2 December 2014

## **Transport and Funding Devolution**

### **Purpose**

For discussion and direction.

### **Summary**

Following the last meeting of the Board, lead members have asked for a discussion on funding devolution for transport and how the Board may support the LGA's overall work on devolution, as well as shaping further progress on its own agreed priorities, which include:

- roads reform,
- bus reform
- active travel
- winter weather/ resilience.

This report will take members through:

- The funding context and how councils fund the Board's transport priorities
- How the LGA is taking the work forward.

### **Recommendations**

1. Note the EEHT agreed priorities and funding context.
2. Note the progress and planned next steps.
3. Provide further steer and ideas in support of both the LGA's corporate work as well as the individual areas identified as part of the Board's specific work programme.

### **Actions**

Officers to take forward actions identified by members.

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## Transport and Funding Devolution

### Background

1. The LGA has campaigned for some time on the heavily centralised funding system for local growth and infrastructure, illustrating that it generates unnecessary costs and discourages investment. Members will be familiar with the LGA's analysis of how fragmented and centralised funding is. The current mechanism for funding local transport is illustrative of overall funding approaches. The LGA's recent report, Better Roads for England<sup>1</sup>, showed that nationally, transport policy and funding decisions continue to be made in silos with national funding for local projects being made through a mix of different grants and competitive funds. Through Rewiring Public Services<sup>2</sup> and more recently, the First 100 days<sup>3</sup>, the LGA has called for replacing the current system of more than 100 funding streams so investment decisions can be joined up and based directly on local need.

### Funding context

2. This section of the report explores councils' funding of the Board's transport priorities. Local funding sources for transport are currently mix of government formula based grant, competitive funds, council's core funding, other local sources, developer contributions and prudential borrowing. Member councils are looking for more simplified and flexible funding arrangements that enable them to:
  - 2.1 Deliver the right transport infrastructure investment that is based on the long-term needs of local communities and business, and not skewed to short term projects
  - 2.2 Tackle the road repairs backlog and focus on preventative measures to make highways more resilient, rather than more expensive reactive repairs<sup>4</sup>
  - 2.3 Shape bus provision so that public subsidies are targeted according to local priorities
  - 2.4 Deliver a locally more joined-up approach to future transport needs, ensuring that other modes of travel, such as cycling and walking can be promoted in a way that makes sense locally
  - 2.5 Influence strategic transport spending in recognition of its impact on local growth (such as the Highways Agency)

### Roads

3. There have been some welcome changes in funding in recent years - in 2010 the Government simplified previous range of funding silos into 4 blocks:
  - 3.1 Local Authority Transport Majors - to support large transport schemes (those costing over £5 million)

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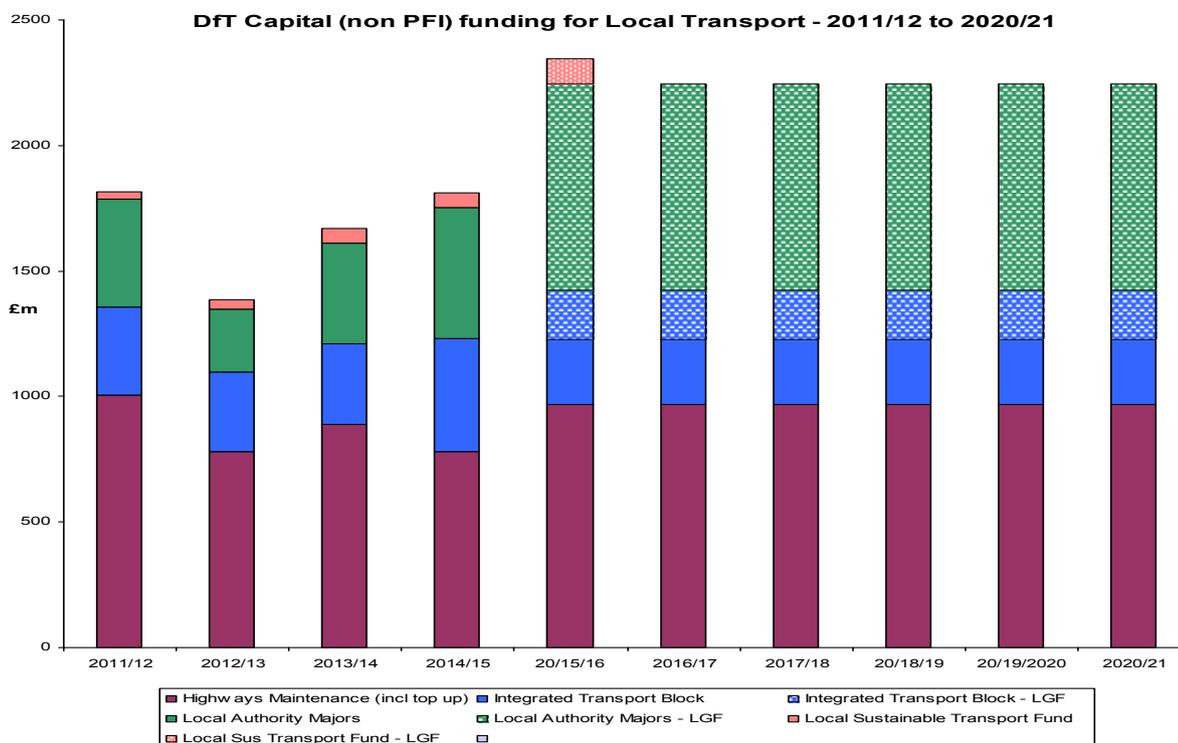
<sup>1</sup> LGA Better Roads for England <http://tinyurl.com/phsvens>

<sup>2</sup> LGA Rewiring Public Services <http://tinyurl.com/lbndtqb>

<sup>3</sup> LGA First 100 days <http://100days.local.gov.uk/>

<sup>4</sup> HMEP Potholes Review – Prevention and a Better Cure April 2012 (Ch 4) <http://tinyurl.com/qzsjap8>

- 3.2 Integrated transport block – delivering smaller integrated transport schemes that e.g. improve road safety and accessibility, reduce congestion and other improvements
  - 3.3 Local Highways Maintenance
  - 3.4 Local Sustainable Transport Fund (LSTF) – a competitive funding supporting delivery of sustainable measures that support economic growth and reduce carbon emissions, delivering cleaner environments, improved safety and increased levels of physical activity.
4. The LGA’s argument for further simplification, through a single funding pot, allowing long term certainty of funding and flexibility to meet local need was endorsed by Lord Heseltine in his review of local growth. Subsequently, the Government set out, in the June 2013 Spending Round, a £2 billion Local Growth Fund (LGF) which would be used to fund Growth Deals annually from 2015/16, with allocations determined partly on a competitive basis on the strength of LEPs’ Strategic Economic Plans (SEPs). Significantly for councils, from 2015/16 100% of the Transport Majors funding, 100% of LSTF (which terminates after 2015/16) and 44% of ITB were subsumed into the Local Growth Fund. See graph below.



5. However, Whitehall’s interpretation and delivery of the single pot has led to sub-optimal outcomes at the local level. Many of these concerns were aired at the recent LGA Transport conference on 7th October<sup>5</sup>, which was chaired by Cllr Tony Newman and more recently by CEDOS and ADEPT<sup>6</sup>. Concerns include:

<sup>5</sup> LGA Transport conference – Avoiding Gridlock 2040 <http://tinyurl.com/loncdsd>

<sup>6</sup> CEDOS/ ADEPT Local Growth Deals – An early assessment <http://tinyurl.com/mpxtcsz>

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- 5.1 The Government made it clear that all capital budgets for local authority major transport schemes and local sustainable transport schemes up to 2020/21 were included within the Local Growth Fund and that there would be no additional funding available for any such schemes not funded through this route.
- 5.2 This significantly increased the demands on the workload of local authorities and LEPs and had the effect of fundamentally shifting the focus of SEPs to become more in the nature of LGF bidding documents.
- 5.3 The emphasis on capital spend, and especially for delivery in 2015/16, and the lack of a revenue element has skewed project priorities
- 5.4 Despite the very heavy involvement of local authority staff in preparing the SEPs and Growth Deal bids, there is widespread reference to a lack of involvement in the negotiation process; this has also made councils feel excluded from part of the process in terms of transparency.
- 5.5 Councils were left unclear as to the rationale for why certain projects, which were deemed important locally, were not funded.

**The LGA have been invited by the Cabinet Office to offer views on learning from the first round of Growth Deals. Members are invited to advise on key issues.**

#### *Highways Maintenance*

6. The DfT, following an earlier round of informal consultation, have formally consulted on future highways maintenance allocation. Up to £5.8 billion in total is being made available for local highways maintenance between 2015/16 to 2020/21 of which over 10% (£600 million) is being top-sliced for a competitive 'Challenge Fund' for major projects.

In response to councils' concerns the LGA has responded (**Annex 1**) by:

- 6.1 reiterating councils' desire to see the funding allocated on a basis that gives maximum certainty at a local level and therefore for funding
- 6.2 calling for more certainty and an end to stop-start and competitive funding so that councils can better focus their efforts on preventative measures rather than more expensive pothole filling measures. This is an argument that central Government have accepted for the strategic roads network and the LGA has asked that the same should apply for local roads.
- 6.3 calling for more resources for tackling the estimated £12 billion backlog of road repairs which is preventing councils from focusing on preventative measures. We have called on the next Government in 2015 to fund a £1 billion a year programme to help fill the backlog.
- 6.4 asking for Government to accept a shared responsibility for funding emergency repairs to local highways following extreme winter weather events

#### *Buses*

7. Funding for local bus provision is also fragmented, with at least five different funds targeted at local provision, and then there is also home-to-school transport. This is even before we look across all public transport provision and support in an area – such as health.

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8. Public funding for buses has been cut in various ways. The 2010 Spending Review announced that government funding to local authorities for transport would be cut by 28 per cent; and that the Bus Service Operators' Grant (BSOG) – which provides direct support for all bus services – would be cut by 20 per cent from 2012-13. In addition, the Department for Transport (DfT) changed the formula for funding local authorities for the statutory free travel scheme for older people and those with disabilities. The effect of this formula change has been a cut of around £60m for local authorities. This under-funding of the concessionary fares scheme means that less funding is available for supported services.
9. Many councils are looking to go much further and are seeking similar powers to regulate bus services as in London. Currently, ANEC (Association of North East Councils) are pursuing Quality Contracts route to achieving a franchised model of service delivery and Greater Manchester have been promised responsibility for franchising powers through their recent devolution deal.
10. The reductions in funding are making it very difficult for the sustainability of public transport provision and as a result there is a reduction of provision in most places outside London. Councils would like to do more but the lack of influence over public spending and subsidies on bus provision, together with very difficult rules for achieving franchising has made this very difficult.
11. The LGA will continue to make councils concerns heard through the DfT led Bus Partnership Forum (which has cross-party representation from the Board), chaired by Baroness Kramer as well as commission further work to strengthen evidence of the need for reform (see below).

#### *Active Travel*

12. Councils are finding it increasingly difficult to promote active travel (cycling and walking) within their areas as a result of reducing budgets, transport funding going to LEPs and continued siloed approach from central Government. In its response to the recent Cycling Delivery Plan (**Annex 2**) discussion paper, the LGA has proposed to Government that it should follow councils' lead in adopting a more cross-departmental approach to active travel (see attached).

#### **Next steps**

13. Councils believe the answers to delivering effective transport solutions are part of the bigger devolution debate. Common to all of the Board's transport priority areas is the difficulty of being able to fully influence and shape the spending that goes into local provision. Given the outlook for public finances, it is more important than ever that tax-payers money is able to be targeted to where it can deliver the best return for tax-payers and the local economy – and councils are best placed to achieve this, not central Government.
14. The LGA has a long track record of calling on successive governments of the merits of greater devolution and local influence through its **corporate** campaigns:

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15. Our placed-based budgets work showed the benefits of redesigning an affordable local public sector and rewiring public services around people and places rather than organisations.

16. LGA's First 100 days campaign calls for the next Government to:

- 16.1 Devolving economic powers through councils to LEP areas.
- 16.2 Replacing and devolving the current system of more than 100 funding streams so investment decisions can be based directly on what businesses need.
- 16.3 Give all councils in England the same traffic management powers as London and Wales to reduce the costs, emissions and disruption from congestion.

17. This is further backed by our engagement with the three commissions:

- 17.1 Finance commission – how an improved local government finance system could promote economic growth and investment in infrastructure within the context of lower public spending
- 17.2 RSA City Growth Commission – city-regions to be able to coordinate resources across their city-region, making strategic policy and finance decisions via place-based budgeting and investment strategy whilst calling for multi-year long-term finance settlements
- 17.3 Independent Commission on Economic Growth and the Future of Public Services in Non-Metropolitan England – the interim report highlights stretched and underinvested public transport infrastructure making it more difficult to match up job-seekers with vacancies. The report also calls for openness to innovative funding.

18. However, the **Scottish referendum** has been a game-changer in the call for greater devolution and has provided a powerful opportunity for cities and counties alike to further promote their case for decentralisation of powers and funding.

19. The LGA Executive on 11 December is going to meet as a seminar to discuss how the LGA pursue the devolution agenda up to the election. There is anticipation that a number of cities and possibly non-met areas striking devolution deals before or from the Autumn Statement. Together with the recent Greater Manchester Deal this could create a new baseline for local powers in England. The Smith Commission in Scotland may also raise the bar on devolved powers.

***Members may wish to feed in ideas from this Board to inform the Executive's discussion on how a wider devolution agenda can support better local transport services.***

20. The transport priorities identified by this Board offer opportunities for making the case for funding devolution. However, it is clear that whichever political party or parties form the next Government that any further devolution will only be entertained if it achieves at least one of the following two outcomes:

- 20.1 Results in better value-for-money for tax payers
- 20.2 Contributes to economic growth

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Members may wish to reflect on this in their discussion on the Board's transport activities as follows:

*On roads and resilience:*

21. The LGA have continued to make the case for councils to be given longer-term certainty of funding so that they can focus on more cost-effective measures to maintenance. We have had positive support on our First 100 days proposals recently from the RAC Foundation and the British Chambers of Commerce.
22. We have had success in persuading the Government of the need for the new strategic highways company to be duty bound to cooperate with local authorities. We will continue to push the Government to ensure that this new requirement is enshrined in legislation and embedded through the new organisation's culture, and support the HA to spend money on local transport and roads where that also benefits the strategic network. The LGA's relationships at DfT director level enable LGA to be kept abreast of and influence developments at an early stage.
23. As another winter approaches our annual winter weather survey has shown that councils are again well prepared to keeping people and businesses moving during the coming months – whether it snows or floods. Over 90 per cent of local authorities are either maintaining or increasing salt stock levels this winter and the majority have invested in modern equipment and support for community resilience. To help councils and their communities, members may have seen this month's press campaign<sup>7</sup> where councils have asked for more consistency and simplicity in accessing emergency funding from Government.

**We have been offered a meeting with John Hayes MP, DfT Minister to discuss local transport issues including relationship with the strategic roads network. Members are invited to advise on key issues.**

*On buses:*

24. The Bus Partnership Forum offers a formal way for the LGA to promote councils views directly at Ministerial level, and the BSOG review working groups a way for officers to engage DfT and operators on bus subsidy reform. Whilst these are valuable channels for providing LGA input, we propose to do further research on the benefits of more localised decision-making.
25. Recently, there has been a higher level of media interest in bus services. Greater Manchester has been promised responsibility for franchised bus services and the Leader of the Opposition pledged London-style bus services across England. We will continue to work with our partners, such as PTEG (Passenger Transport Executive Group) and PTC (Public Transport Consortium) to further make the case for more fundamental reform of bus provision for places that want them.

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<sup>7</sup> LGA media release <http://tinyurl.com/lzy9q2p>

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26. At present, BSOG for commercial services, is paid directly to bus operators. This means in effect that public funding is subsidising commercial routes. Through the DfT's officer level working groups, the LGA will continue to call for devolution of all BSOG to local authorities so that they can better target the subsidy at where it is most needed.
27. In addition, members may wish to commission officers to demonstrate that there are better ways of delivering local public transport than current approaches and more graphically highlight the impact of the current dysfunctional system, such as:
  - 27.1 through powerful examples of how key members of the community are being affected by the by council's inability to do more (e.g. such as providing young people transport access to jobs)
  - 27.2 highlighting the scale of public transport funding that goes into all public services, such as health, and the potential scope for delivering better services across the public sector in a different way, following the principles of place-based budgets.

*On Active Travel:*

28. Lead members have asked for a task and finish group to be set up to identify ways that will make it easier for councils to promote active travel in a time of reduced budgets. Lead members have agreed the group will be led by Cllr Roger Symonds, with active support from his council, Bath and North East Somerset, and will look to engage with external bodies such as Living Streets and Sustrans. We are also currently seeking nominations from each of the political groups. The group is expected to report to members at the March 2015 Board

**Recommendations**

29. Members are asked to:
  - 29.1 Note the EEHT agreed priorities and funding context
  - 29.2 Note the progress and planned next steps
  - 29.3 Provide further steer and ideas in support of both the LGA's corporate work as well as the individual areas identified as part of the Board's specific work programme