

# CEDOS

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Chief Economic  
Development  
Officers' Society

Working for Economic Development

## **Department for Transport - Consultation on Devolving Local Major Transport Schemes – CEDOS views**

**March 2012**

## **Chief Economic Development Officers Society**

The Chief Economic Development Officers Society (CEDOS) provides a forum for Heads of Economic Development in upper tier local authorities throughout England. Membership includes county, city and unitary Councils in non-metropolitan areas, which together represent over 47% of the population of England and provide services across over 84% of its land area. The Society carries out research, develops and disseminates best practice, and publishes reports on key issues for economic development policy and practice. Through its collective expertise, it seeks to play its full part in helping to inform and shape national and regional policies and initiatives.

## **Department for Transport Consultation - Devolving Local Major Transport Schemes**

### **Response by the Chief Economic Development Officers Society (CEDOS)**

1. CEDOS welcomes the Government's decision to issue a consultation paper to take forward discussion about a new system for prioritising and funding local major schemes after the end of the current spending review period. We are pleased to take the opportunity to put forward our views on the set of questions in the consultation paper. Our views have been formulated in the light of consulting with our members from across the country.

#### **1. 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?**

##### **CEDOS views:**

2. We welcome the Government's proposal to devolve capital funding for local major transport schemes for the period beyond 2015 to democratically accountable local transport bodies (LTBs). We strongly support the Government's view that LTBs must be self-directed, bottom-up creations. As regards membership, accountability will be vital. We agree that local authorities and in particular local transport authorities will be crucial to the decision-making process to achieve democratic accountability and provide the necessary expertise and experience in delivering local major transport schemes.

3. Transport is a key enabler of economic development and growth. We agree that Local Enterprise Partnership (LEP) areas are the logical geographical starting point for allocating funding. It has to be recognised, however, that in some areas of England the position is complicated by substantial areas of overlap between LEPs and that fact that the scale of LEP geographies varies considerably in terms of area, population, and level of economic activity. There is also the issue of the nature of the economic linkages between neighbouring LEP areas and the extent to which transport schemes that are strategically important to economic growth relate to more than one LEP area.

4. Whilst we welcome the proposed ability to form consortia covering more than one LEP, we believe there is a need for maximum flexibility to enable effective joint working. The economic benefits of strategic schemes with cross-boundary significance are likely to vary geographically

according to the nature of individual schemes. We consider LTBs should have the freedom to work together on a scheme by scheme basis and pool resources on agreed major improvements that are mutually beneficial in supporting economic growth.

5. On types of schemes to be funded, we agree LTBs should be free to decide on local priorities without the restriction of a £5 million threshold defining a major scheme. As regards the options put forward to help promote strategic investment, from the soundings we have taken, there is a clear preference for Option 3 – under which there would be no separate distinction for big schemes, and no central requirement to help promote their delivery. In our view any top slicing would be counter to the spirit of localism and cause unnecessary additional costs. Whilst the preferred option might discourage larger schemes, given the sums likely to be available it needs to be recognised that some small schemes can have a significant economic benefit to local areas.

**2. 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?**

**CEDOS views:**

6. We agree with the Government that Local Enterprise Partnerships should have a central and influential role but that the extent of their role in decision-making should be left to local discretion. Of the options put forward, from the soundings we have taken, preferences focus on option 1 – with LEPs having a purely advisory role and option 2 – with LEPs having joint accountability for decisions.

7. Whatever options are chosen by LTBs, it will be important that LEPs are fully involved in the process to enable them to have real influence and bring a business perspective to driving forward and addressing barriers to economic growth and to help unlock other funding opportunities to support local infrastructure priorities. At the same time, it will be critical for LTBs to be able to demonstrate accountability in a clear and transparent way. This could be achieved most simply and effectively by local transport authorities being given decision-making priority. It ought to be possible to achieve this through a combination of options 1 and 2, with local authorities and local transport authorities who have locally elected members being full members of an LTB but with LEPs being able to provide direct advice through non-voting membership.

8. Whilst the decisions on the make-up of individual LTBs must be made locally, it will be essential that LEPs are engaged in a meaningful way and

have real influence. It will be equally important to have Highways Agency and Network Rail involvement to enable LTBs to have a direct input into helping shape their respective investment programmes, which was one of the strengths of the former Regional Transport Boards.

**3. 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?**

**CEDOS views:**

9. The consultation document states that local transport bodies will need to put in place measures that provide assurances on proper financial management and propriety and deliver value for money. It indicates that LTB's will need to meet a central assurance framework to include governance, accountability for decisions, financial propriety and regularity and meeting and testing value for money.

10. We agree that assurance is critical in terms of the appropriate use of public funding. We agree with the 3 principles proposed for an assurance framework - that they should be fit for purpose, evidence-based and light-touch. All are important. A light touch approach is essential to minimise the burdens on LTBs. In this context, there is a strong case for LTBs being able to develop their own frameworks that best fit local circumstances but if there is to be a central framework, its requirements should be proportionate and avoid unnecessary bureaucratic requirements that act as a barrier to the delivery of schemes to enable and support local economic development and growth, causing them to be delayed or even not proceeded with. If a central framework is proceeded with, further discussion and consultation on any centrally defined criteria will be essential.

**4. 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?**

**CEDOS views:**

11. It is essential that LTBs are able to demonstrate accountability in a clear and transparent way. The best approach is for decision-making voting rights to be available only to local authority members with a democratic mandate. This will enable accountability to be achieved in the most simple and cost-effective way. Local authorities already have in place financial accounting and auditing processes, which are transparent and accountable to the Government for tax-payers' money and to local

communities and citizens. In addition, ensuring that details of meetings, scheme prioritisation and costs are publicly available will be desirable.

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

**CEDOS views:**

12. The Government is proposing to remove its role in approving schemes and in appraising individual business cases. We welcome the proposal and agree there needs to be a transparent and consistent framework for prioritising and appraising schemes. Of the two options put forward, enabling LTBs to develop their own frameworks which best fit local circumstances and priorities is most in line with the Government's localism agenda.

13. As far as detailed options for appraising schemes are concerned – clearly there should be a well-evidenced and robust system in place to provide a fit for purpose evidence base for decision-making. The government's preference is for LTBs being required to appraise schemes using WebTAG. Our preference is for the flexibility to be able to vary the approach to ensure that appraisal is commensurate with the nature and complexity of the schemes involved. The graduated approach outlined in option 3 is supported.

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

**CEDOS views:**

14. The Department for Transport is proposing to publish a range of indicative allocations for individual LEP areas in August 2012. The timetable from then on expects LTBs to submit for sign-off, proposals on governance, financial management, accountability, and meeting and testing value for money by December 2012; and agreeing their programmes of priority schemes by April 2013.

15. This will be extremely challenging not least because of the expectation around leveraging in other sources of funding to help scheme delivery. It will be particularly challenging in some LEP areas because of the number of local transport authorities involved and in some cases the complexity caused by overlapping LEPs. This underlines the importance of LTBs being able to demonstrate accountability in as straightforward a manner as possible and for Government to ensure that its requirements

on assurance and appraisal frameworks are proportionate and light touch, avoiding any unnecessary bureaucracy.

16. It will be also be very important for the Department to play its full part in helping to enable a focus on bringing forward and delivering schemes that are essential to support local economic development and growth by providing indicative LEP allocations and feedback on proposals for governance, financial management, accountability and providing value for money as early as possible.

**7. Do you have any general comments on proposals to devolve decisions and funding, and on any residual role for the Department?**

**CEDOS views:**

17. Whilst we agree that LTBs should be free to decide on local priorities without the restriction of a £5 million threshold defining a major scheme and we recognise that in the context of the sums likely to be available small schemes can have a significant economic benefit to local areas, there is a risk, acknowledged in the consultation document, that larger schemes important to driving economic growth and productivity might not be brought forward. There is also the issue of the four year comprehensive spending review funding cycle inhibiting the long-term planning required for larger schemes. We would like to see further consideration of how the Department could encourage joint working and address the issue of achieving a longer-term funding approach for key infrastructure schemes. This underlines the importance of the Department's role in promoting within government the critical importance of funding for transport investment to support local economic growth.

**8. Do you have any other comments on any of the other areas covered in the consultation?**

**CEDOS views:**

18. There are 2 other matters on which we would like to comment – the approach to allocating the funding to be devolved and the issue of the administrative costs to local authorities in setting up and supporting the operation of LTBs.

19. For the allocation of funding between LEP areas, of the 3 options put forward, distribution on the basis of population is preferred by the Government on the grounds that it is consistent with the previous method of allocating local

major scheme funding, is simple and transparent, and creates the most even distribution. Whilst we agree there is merit in a distribution formula that is simple, certain and understandable, it should also be fair and recognise transport needs and economic contributions. It should support the Government's ambition set out in the Local Growth White Paper to foster growth and prosperity in all parts of the country<sup>1</sup>. We are very concerned that a formula to distribute funding purely by population would, for example, disadvantage large rural LEPs with lower density populations and more dispersed economies, particularly as other national transport spending delivers disproportionate benefits to core cities.

20. On the issue of administrative costs, the Government suggests that a devolved system could deliver significant net savings to local authorities and that it is minded not to provide additional financial support towards administration. The reality is that local authorities are likely to have to face increased administrative costs not least to support LEPs to enable them to be fully engaged in the process. These are likely to be particularly significant where LEP areas overlap and where they cover several local transport authorities resulting in governance arrangements and prioritisation processes that are more time-consuming and require a greater degree of coordination. In this context, we consider that part of the savings that will be made by Government should be passed on to Local Transport Authorities and LEPs to meet the cost increases that they will incur.

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<sup>1</sup> *Local Growth: Realising every place's potential* HM Government October 2010