

Chapter 5

REGIONAL FUNDING ALLOCATIONS TRANSPORT

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INTRODUCTION

In the 2004 Comprehensive Spending Review, the Government announced that it would examine new ways to integrate transport, economic and spatial development strategies in each of the English regions. Subsequently, in December 2004, the Government launched a consultation: '*Devolving decision making: a consultation on regional funding allocations*'[1], on how it proposed to implement regional funding allocations. Building on this consultation, in July 2005 the Government produced guidance[2] setting out how regions should prepare and submit their advice. The advice would form an input to Government policy development in advance of the next budget; hence, regions were effectively required to make a submission to the Government by the end of January 2006. The advice should indicate how transport, housing and economic development priorities relate to each other to form a coherent, credible and strategic vision for improving the economic performance of the region, and how these priorities align to available resources.

Components of Regional Funding Allocations

The Government's proposals for achieving better decision making in relation to regional transport, housing and economic development have the following three themes:

- realistic funding assumptions: the Government would provide funding allocations and planning assumptions for investment in transport, housing and economic development over the short and longer term;

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- ❑ co-ordinated regional strategies and priorities: regions would ensure greater alignment of strategies and prioritise transport, housing and economic development proposals; and
- ❑ enhanced regional input: the Government would provide a clear process for regions to enable them to offer advice based on realistic funding assumptions and co-ordinated priorities, in order to improve Spending Review decisions.

For the first time, the Government published three year regional transport funding allocations alongside regional economic development and regional housing funding allocations, which already existed for the 2004 Spending Review period (2005/06 to 2007/08). The three funding streams cover:

- ❑ **transport** – capital funding for local authority major schemes (generally costing over £5 million each) and major Highways Agency schemes other than those on routes of the greatest strategic national and international importance;
- ❑ **housing** – regional housing pot and Housing Market Renewal Pathfinder funding; and
- ❑ **economic development** – regional development agency single budget.

With regard to transport, the Government's rationale is that major local authority schemes are more likely to have wider impacts of a kind that require consideration in the context of regional and sub-regional strategies. Regions would need to accommodate funding for schemes already committed or under construction within the RFA. Rail expenditure, both on franchises and infrastructure, would be included in future where it could be associated with one or more specific regions, although the Government did not intend the RFA process to provide a comprehensive assessment of rail priorities.

In addition, to the three year allocations, the Government issued new guidance on longer term planning assumptions across the three funding streams. These extend to 2015/16, and provide a rule for projecting forward the prevailing distribution of resources. They are, however, indicative and remain subject to future Spending Review decisions. The Government therefore required regions to set out how their advice could change given a 10% increase in funding per annum and a 10% reduction in funding per annum. This would help refine regional priorities and assist planning for circumstances where actual funding varied from the base planning assumption. Regions would also need to demonstrate that it was possible to accommodate their proposals within the overall indicative allocation for each year, although the Government recognised the difficulty of doing this for the later years in the period. It therefore recommended that regions consider longer term strategic priorities in blocks of years.

Population as projected by the Office for National Statistics for 2007-08 formed the basis for dividing the regional funding allocation for transport between the eight English regions. The planning assumptions were determined by projecting forward the prevailing distribution of resources at flat real growth using the Government's inflation target, which is 2%. In the North West, the total indicative allocation for transport for the period 2005/06 to 2015/16 is approximately £1,350 million. Final decisions on all spend within the regional transport allocation remain with the Secretary of State for Transport.

The Government expected advice from the regions to be set within the context of all regional strategies, including inter-regional strategies affecting a region such as the Northern Way growth Strategy. Regions would also need to take account of the views of a wide range of stakeholders and delivery agencies, including for transport, local authorities, Passenger Transport Authorities, the Highways Agency and Network Rail. To maximise influence on Government decision-making, regions would need to demonstrate their advice to be:

- ❑ evidence-based – priorities must be based on robust regional evidence;
- ❑ agreed within the region – the Government would take into account the range, depth and quality of the advice and who had signed up within the region;
- ❑ realistic – the Government would expect robust cost estimates, with proposals tested for deliverability. Advice that did not respect the planning assumptions would be disregarded; and
- ❑ consistent – the Government would expect advice to be consistent with wider national policy objectives and take into account current regional and local strategies.

For transport, the advice would comprise a proposed programme of transport investment together with a commentary on the development of the programme and any judgements made. Regions would need to take account of existing commitments in order to identify whether it would be possible to accommodate any new schemes in the programme. In developing their programme, regions would need to take into account scheme appraisal requirements and any relevant statutory procedures. Where possible, regions should outline any assumptions made with regard to scheme costs and value for money, and the evidence supporting those assumptions.

The Government recognised that regions might also wish to prioritise between policy areas in future years, as well as within them, subject to planning assumptions across the three funding streams. Under the proposals outlined in the consultation, as part of their Spending Review input, regions would be able to recommend switching expenditure on the basis of demonstrable alignment of regional strategies for transport, housing and economic development. However, the Government concluded that it would be more sensible for regions to build capacity to provide advice within each policy area before considering switching between them. In any event, such decisions would form part of the Spending Review process within the national context, and would continue to be subject to clear democratic accountability exercised by the relevant Secretaries of State.

HIGHWAYS AGENCY NETWORK CATEGORISATION

The Government intends to continue taking decisions nationally with regard to major improvements on routes of national or international strategic significance. The Highways Agency has identified these routes based on traffic flows and the proportion of heavy goods vehicles. The definitions also reflect the extent to which a route connects a major English city with another of similar importance or with one of England's busiest airports or seaports, the presence of a route on the Trans-European Road Network (TERN), and the importance of

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links with Scotland and Wales. Improvements to 'national' routes bring regional as well as national benefits, and plans for them will be of particular interest to regional stakeholders, including those outside the region in which the investment would occur. In the North West, the routes identified as being of 'national' importance are the M6/A74, the M62/M60, the M56/A5117/A550, and the M60 Manchester Outer Ring Road.

REGIONAL TRANSPORT BOARDS

In the spring of 2004, the Department for Transport embarked on an exercise to set up experimental regional transport boards in the Yorkshire and Humber and South East England regions. The main objectives were to

- review the alignment of regional strategies and their ability to provide a robust framework for the allocation of transport budgets;
- explore the practicalities and potential benefits of having regional transport boards to advise on the allocation of elements of the transport budget that would result in better outcomes from a regional perspective; and
- set out the likely impact resulting from different freedoms to transfer allocations within and between budget heads.

The work took place between July and September, with final reports delivered towards the end of October 2004. However, in its guidance on preparing advice on regional funding allocations, the Government indicated that it did not intend to prescribe the institutional arrangements through which regions should co-ordinate and prepare advice on regional priorities. As representatives of central government in the regions, the Government Offices would act as facilitators to establish a process to engage with a wide range of regional stakeholders, and to create conditions in which a consensus could emerge.

PRIORITISATION OF MAJOR TRANSPORT SCHEMES IN THE NORTH WEST

In September 2005, the Government Office for the North West (GONW) commissioned the consultant Atkins on behalf of the region to appraise and prioritise approximately 60 local authority and Highways Agency major schemes. The Department for Transport provided the funding for this work. The appraisal framework developed by Atkins involved a two stage assessment process:

Stage 1 – policy fit

Stage 2 – value for money and deliverability

Stage 1 included the adoption and refinement of existing regional policy criteria (economic, environmental and social themes) developed by JMP Consulting as part of the prioritisation work undertaken by the Regional Assembly for the Regional Transport Strategy. These evolved principally from the following strategies:

- Draft Regional Spatial Strategy and integral Regional Transport Strategy

- ❑ Regional Economic Strategy 2003[3]
- ❑ Regional Housing Strategy, 2003[4]

Atkins refined the JMP criteria to reflect local circumstances, creating three additional sub-regional criteria for each of the three themes based largely on local transport plan objectives and priorities. The framework therefore reflects sub-regional and local objectives in addition to wider regional objectives. Atkins also developed separate criteria for value for money and deliverability. The various policy criteria are set out in Tables 5.1 and 5.2.

Atkins utilised a seven point scale to score schemes, scoring each scheme between one point (low score) and seven points (high score) against each criterion. The neutral score was four. Atkins also developed guidance for scoring against each criterion to ensure a consistent approach to the scoring process, although an element of professional judgement and an assumption of probable outcome were necessary when scoring a scheme against certain criteria.

In order to test the robustness of the methodology, Atkins applied different weightings to the economic, social and environmental themed criteria. This had little impact in terms of the schemes emerging in Quartile I, although there was some movement both within the Quartile I rankings and between the lower quartiles. The region subsequently agreed that, in terms of providing advice to Ministers, it would be important to support use of a 50% weighting in terms of the economic criteria. This would reassure the Government that the Investment Programme would deliver improvements to the economic performance of the region, a key objective of the Regional Funding Allocation process. Furthermore, given the need to develop a realistic and affordable investment programme, the region also agreed to give at least equal weighting to the value for money / deliverability criteria as to the policy criteria. The application of a greater weighting to the policy criteria might not help the region identify projects that would be affordable and deliverable within the ten year timescale of the RFA. The approach also ensures that schemes cannot get into Quartile I solely by virtue of providing good value for money and being easily deliverable. Schemes in Quartile I score well across both policy and value for money / deliverability criteria.

The output from the prioritisation exercise comprised a ranked list of over 100 schemes presented in quartiles. Schemes within the top quartile effectively formed the RFA transport investment programme. With a combined total of £1,272 million, the overall cost of the programme exceeded the RFA by some £27 million. The spend profile was revised in June 2006 to take account of changes to scheme costs and delivery profiles. In July 2006, the Secretary of State for Transport wrote to the Chairs of the Regional Assembly and the Northwest Regional Development Agency to inform them he had broadly accepted the priorities as set out in the region's advice. Table 5.3 lists the North West's RFA transport schemes and their status following the Secretary of State's decision. Funding for three schemes: the Carlisle Northern Development Route, the Mersey Gateway and the South East Manchester Multi Modal Study (SEMMMS) Relief Roads, is primarily through Private Finance Initiatives, with the RFA providing a contribution.

Table 5.1 Regional and Sub-regional Policy Criteria

ECONOMY	ENVIRONMENT	SOCIAL
Econ 1: Will the scheme improve international, national and regional trade connections?	Env 1: Will the scheme protect or enhance places and buildings of historic, cultural and architectural value?	Soc 1: Will the scheme help deliver sustainable growth in urban areas / urban renaissance?
Econ 2: Will the scheme improve business competitiveness?	Env 2: Will the scheme protect or enhance designated areas of natural value?	Soc 2: Will the scheme help deliver sustainable growth in rural areas / rural renaissance?
Econ 3: Will the scheme support business clusters, as specified in RES 2003?	Env 3: Will the scheme help protect or enhance local air quality?	Soc 3: Will the scheme improve accessibility to key service and facilities for all, including health, jobs, education, retail and leisure?
Econ 4: Will the scheme support regional employment sites?	Env 4: Will the scheme help enhance land quality?	Soc 4: Will the scheme support access to assisted areas and European Funding Eligible areas?
Econ 5: Will the scheme improve perceived image of its locality both within the region and externally?	Env 5: Will the scheme limit CO ₂ emissions and support efforts to combat global warming?	Soc 5: Will the scheme support housing renewal initiatives?
Econ 6: Will the scheme support existing and promote new tourism and recreation locations?	Env 6: Does the scheme make best use of existing resources?	Soc 6: Will the scheme improve road safety?
Econ 7: Will the scheme reduce delays on local journeys by improving reliability and reducing congestion?	Env 7: Will the scheme minimise the impact of transport on residential communities in terms of noise and severance?	Soc 7: Will the scheme improve feelings of personal safety and security?
Econ 8: Does the scheme support increased levels of local employment activity in town and district centres?	Env 8: Will the scheme minimise the need to travel by car?	Soc 8: Does the scheme support the regeneration of deprived areas? (Housing renewal is covered under Soc 5).
Econ 9: Will the scheme support connectivity within the sub-region?	Env 9: Will the scheme enhance the integration of all forms of transport in a sustainable manner?	Soc 9: Will the scheme contribute to improving public health through increased levels of walking and cycling?

Table 5.2 Value for Money and Deliverability Criteria

VALUE FOR MONEY	DELIVERABILITY
VfM 1: Is the scheme likely to have a high BCR? A key DfT requirement is that a project demonstrates VfM.	Del 1: What is the schemes state of readiness? Is it ready to be implemented?
VfM 2: In the absence of the scheme going ahead, would present transport facilities be undermined?	Del 2: Is the scheme type likely to be deliverable within the 10 year investment programme?
VfM 3: Is the private sector funding contribution likely to be larger than the public sector contribution?	Del 3: What is the affordability of the scheme to the region? (Does the annual cost of the scheme comprise more than 30% of the indicative annual RFA? Does the total cost of the scheme comprise more than 30% of the 10 year RFA?).
VfM 4: Does the scheme have synergy with existing or proposed schemes? (Will the scheme generate additional benefits or improve the viability of other schemes?)	Del 4: Has consultation on the scheme demonstrated its public acceptability?
	Del 5: Are there any other general risks to delivery, for example, likelihood of a public inquiry?

THE FUTURE OF REGIONAL FUNDING ALLOCATIONS

In the Review of sub-national economic development and regeneration[5], the Government sets out how it intends to build on the 2005-06 Regional Funding Allocations exercise. A second, expanded RFA exercise will take place in the Comprehensive Spending Review period (2008/09 to 2010/11). The Government will seek to expand the RFA further to cover a wider range of funding relevant to economic growth, potentially including other aspects of transport funding. The scope of any transport funding will depend on how the Government takes forward implementation of the recommendations of the Eddington Transport Study, which may affect the management of transport budgets. It is possible that the Department for Transport (DfT) will request fresh advice on transport investment priorities early in 2008, particularly if corrective action is considered necessary with regard to short term (three year) and medium / long term (ten year) funding requirements.

The DfT's current prognosis is that the RFA is unlikely to increase in real terms as a result of the Comprehensive Spending Review, but may be extended for a further two years, ie to 2017/18. In the North West, this would add a further £279m, based on the Government's inflation target of 2%. Given the region's current estimated overspend, which is now in excess of £130 million and almost certain to increase further, it is unlikely that significant additional funding will become available for new schemes before 2018/19, unless schemes already in the RFA programme fail to gain the necessary statutory powers. The scope of any refresh in early 2008 is therefore likely to focus on the spend profile, with a review of priorities taking place once

Table 5.3 Status of RFA Transport Schemes as at July 2006

Schemes for funding within the next three years (2006/07 to 2008/09) by sub-region	
<i>Schemes under construction</i>	
Cumbria	A66(T) Temple Sowerby Bypass and Improvement at Winderwath A590(T) High and Low Newton Bypass
Greater Manchester	SEMMMS Quality Bus Corridor Northern Orbital Quality Bus Corridor
Merseyside	A58 Blackbrook Diversion
<i>Approved schemes not yet underway</i>	
Cheshire	A34 Alderley Edge and Nether Alderley Bypass
Cumbria	A595(T) Parton to Lillyhall Improvement Carlisle Northern Development Route
Greater Manchester	Metrolink Phase 1&2 Renewal Metrolink Extensions Leigh – Salford – Manchester Quality Bus Corridor Greater Manchester Urban Traffic Control
Lancashire	Freckleton Street Bridge, Blackburn Blackpool and Fleetwood Tramway Emergency Works
Merseyside	Edge Lane / Eastern Approaches, Liverpool Hall Lane Strategic Gateway, Liverpool
<i>Schemes which do not yet have approval (ie not yet accepted into the Programme)</i>	
Greater Manchester	Rochdale Interchange Highway Retaining Walls Strengthening
Lancashire	Blackpool and Fleetwood Tramway Upgrade Phase 1 Completion of Heysham to M6 Link Road East Lancashire Rapid Transit
Merseyside	Silver Jubilee Bridge Major Maintenance Scheme, Halton
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Indicative list of schemes from 2009/10 to 2015/16 by sub-region	
<i>Approved schemes</i>	
Greater Manchester	A57(T)/A628(T) Mottram, Hollingworth and Tintwistle Bypass A57 Glossop Spur Ashton Northern Bypass Stage 2 M60 JETTS Quality Bus Corridor
Merseyside	Mersey Gateway, Halton
<i>Schemes that do not yet have approval (ie not yet accepted into the Programme)</i>	
Cheshire	A556(T) (M6 to M56) Improvement Crewe Green Link Road (Southern Section) Crewe Rail Gateway
Greater Manchester	SEMMMS Relief Roads Bolton Town Centre Public Transport Strategy Yellow School Buses
Merseyside	Access to Port of Liverpool Improvement Bidston Moss Viaduct (M53 Junction 1), Wirral Thornton to Switch Island Link Road

the Government seeks further formal advice from the region during the CSR period. In the interim, the Government's view is that it will be for regions to decide whether they wish to consider any new scheme proposals for prioritisation.

Major schemes that require funding from the DfT must now be a priority of the relevant region within its RFA programme. Since publication of the initial RFA guidance[6], the DfT has indicated its intention to integrate sub-£5m schemes into the major schemes process[7]. Such schemes, whether for improvement or maintenance, became known as 'exceptional schemes', although the DfT now wishes to discontinue this term. To qualify for major scheme funding, the total cost of a scheme (including preparatory costs between Programme Entry and Full Approval) must be at least £5m **or**:

- at least 75% of the promoting authority's average projected annual indicative integrated transport block or maintenance allocation (whichever is most relevant to the scheme) for the LTP2 period, **and**

- more than 50% of the promoting authority's average projected annual combined indicative integrated transport and maintenance allocations for the LTP2 period.

The DfT will not support bids for sub-£5m schemes in metropolitan areas, as promoters should have sufficient resources and flexibility to be able to fund them from block allocations. This does not apply, however, to maintenance schemes under £5m. This does not apply, however, to maintenance schemes under £5m. The DfT informed local authorities of how it intends to consider future 'exceptional' maintenance schemes in May 2007.

REFERENCES

- 1 Devolving decision making: a consultation on regional funding allocations, HM Treasury, Department of Trade and Industry, Department for Transport, Office of the Deputy Prime Minister, December 2004
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- 3 NWDA, 2003
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- 6 Regional Funding Allocations: Guidance on preparing advice, HM Treasury, DTI, DfT and ODPM, July 2005
- 7 Guidance for Local Authorities seeking Government funding for major transport schemes, DfT, August 2007

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