

Investment in Local Major Transport Schemes

Contents

Foreword	3
The context for investment in local transport.....	4
Localism and the longer term future for Local Authority Major Schemes	5
Investment in the Spending Review period	7
Prioritisation and impact on individual schemes	8
ANNEX A: Prioritisation and progress of Local Authority Major Schemes in the Spending Review period	10
What it means for individual schemes	10
Scheme Approval Stages and streamlined processes.....	15
Preparatory Costs.....	16
Resumption of Statutory Processes.....	16
ANNEX B: Categorisation of Individual Schemes.....	17

Foreword

This statement sets out:

- The context for investment in local transport
- Localism and the longer term future for Local Authority Major Schemes
- Investment in the Spending Review Period
- Prioritisation and impact on individual schemes

Annex A provides more details of prioritisation and progress of Local Authority Major Schemes in the Spending Review period, and will be of particular interest to promoters of schemes.

Annex B lists transport schemes covered by this statement, by category.

The context for investment in local transport

1. A well functioning transport system is essential to the proper operation of Britain's economy. Congestion is a drag on businesses and on our international competitiveness at a time when competitiveness is vital to economic growth and job creation. Poor infrastructure discourages foreign investment, particularly in the increasing part of the manufacturing sector where just in time manufacturing is the dominant model.
2. As the Chancellor stated in the October 2010 Spending Review announcement, the Government is determined to invest in areas such as transport, science and green energy, as these will help ensure that the economy is broadly based and enable sustainable growth. It is with this in mind that transport spending has been prioritised as one of the main areas of capital investment over the next four years.
3. Almost all journeys begin and end on local authority transport networks, providing the crucial links that allow people and businesses to prosper. In the Spending Review we announced a package of measures to increase the sustainability of local transport systems so they can promote economic growth, minimise the environmental impact of travel, improve public health and address social exclusion. As part of this, we set out our commitment to funding high value capital transport projects promoted by local authorities that cannot be wholly funded through their own resources.

Localism and the longer term future for Local Authority Major Schemes

4. The Coalition Government has made it clear that it wants to end the era of top-down government by providing a radical devolution of power and greater financial autonomy to local authorities. That is why in this Spending Review we are moving from 26 separate local transport grant streams to just four. This approach will give local authorities greater flexibility in how they spend their funding, enabling solutions tailored for the specific needs and circumstances of individual communities.
5. We are determined to go further in devolving power over the coming years. The Department for Transport will work in partnership with local communities to develop a new framework for the funding of major local transport schemes over time, one that will have a reduced role for central government and give a proper voice to locally elected representatives and business interests.
6. The previous government's Regional Funding Allocations system was an attempt at a devolved system but it put influence in the hands of indirectly elected Regional Assemblies and unelected Regional Development Agencies.
7. Instead we want to develop a more bottom-up approach, with Local Enterprise Partnerships (individually or in consortia) playing a key role over strategic investment choices in functional economic areas. We are open minded about how such funding mechanisms might work and it need not necessarily be the same for each area. The onus is as much on Local Authorities and Local Enterprise Partnerships themselves as central Government to propose imaginative and workable solutions.
8. We recognise however that these arrangements will take time to develop, and given the long lead times for transport projects we need to make decisions now on investment priorities for the next four years. We are therefore embarking on a prioritisation exercise to determine the best of the schemes prioritised under Regional Funding Allocations which have either been granted Programme Entry or for which a bid for

Programme Entry was received prior to 10th June 2010, and that can be delivered in the Spending Review period.

9. The Department will shortly publish its proposals to take forward the commitment in the Coalition Agreement to reform the way decisions are made on which transport projects to prioritise. The appraisal of local major schemes will be consistent with these proposals.

Investment in the Spending Review period

- 10.** The Spending Review settlement means that we are able to provide over £1.5 billion for local authority major schemes in the period up to 2014/15. Around £600 million of this is for schemes already in construction or with Conditional Approval and over £900 million for new schemes. Taken together, this level of investment is greater than the average annual DfT spend on local authority major schemes over the last 10 years.
- 11.** On 10 June 2010 the Secretary of State announced a suspension of activity on major schemes other than those in construction. Today is the first step in reactivating major scheme development. However, despite our considerable investment, the full pipeline of schemes prioritised under the previous system of Regional Funding Allocations is not affordable and tough decisions will be necessary to get the best value from the available public funding. That is why we need to prioritise and rationalise the programme we have inherited.
- 12.** The level of funding required for schemes already under construction means that it is unlikely that any further schemes will be able to begin construction before 2012/13.
- 13.** As part of the Spending Review DfT has also re-assessed local transport PFI schemes in development or procurement and identified those that can proceed, taking into account value for money, affordability and their relative stage of development. Further details of the process for these and the list of schemes affected are set out in annexes A and B respectively.

Prioritisation and impact on individual schemes

- 14.** Local Authority schemes already in construction (which had Full Approval by the DfT) will proceed on their original terms. We are also committing to complete the upgrade of the Tyne & Wear Metro, which will see investment of up to £350m over 11 years, in line with the terms of the original approval in February 2010.
- 15.** For all other schemes, in order to secure value for money, to ensure our funding goes as far as possible and to maximise the number of projects that can go ahead, we will be challenging scheme promoters to review options for cost reductions, including scope changes that improve value for money, and increased local contributions and maximising the opportunities presented by a soft contracting market. Just as the Highways Agency will be bearing down hard on the costs of its supply chain, so we would expect Local Authorities to do likewise.
- 16.** For the three schemes which previously had Conditional Approval we will urgently work with the promoting authorities to assess the case for progression to Full Approval, taking into account latest evidence on scheme costs, benefits, scope and opportunities for increased local contributions. We would hope to make firm decisions on the way forward on these schemes by January 2011.
- 17.** Other schemes will be subject to the following process of prioritisation.
- 18.** Of those schemes which previously had Programme Entry, we have identified ten of the best value schemes (on the basis of value for money or size of local contributions) that we would be prepared to support subject to best and final funding bids from the local authority sponsors. We will work with sponsors to ensure that all opportunities for cost-saving and value maximisation have been reflected in their revised final bids. Subject to these bids being acceptable, funding for these schemes will be confirmed in January. This is the “Supported Pool” of schemes. These schemes would, if taken forward at previously approved funding levels, account for around £300m of DfT funding in the Spending Review period. However we will be seeking to reduce the overall DfT contribution to maximise the funding available for other schemes.

19. A further group of 22 schemes will form a Development Pool, for which over £600m should be available. We know that these schemes offer good value for money but we will not be able to fund them all. We will conduct some further analysis on these with the promoters and invite improved best and final funding bids before deciding which of these schemes we will support. Final decisions will be made by the end of 2011.
20. All other schemes - those that had achieved Programme Entry, but which we know have changed considerably since their last approval, and those which were submitted for consideration for Programme Entry to DfT prior to the 10 June suspension of major scheme guidance, but not yet approved by the Department will form a "Pre-Qualification Pool". We will conduct a preliminary assessment of these schemes and make decisions by January on which of these will join the Development Pool.
21. For the schemes that successfully negotiate this process and receive funding approval, Local Authorities will need to commit to deliver within the maximum funding that they are allocated without coming back to ask for more, but in return we will keep any further checks and assessments to an absolute minimum.
22. The total of the presently requested DfT contribution on all the schemes in these three pools is currently of the order of £1.7bn in the Spending Review period, nearly double the available funding of £900m. We will reduce this ratio through improved funding offers from promoters and through sifting of schemes at the Pre-Qualification pool. But it does mean that we cannot at this point consider schemes other than those in the above groups, nor accept any new bids for Programme Entry.
23. In particular, under the Regional Funding Allocations system, regional and local bodies were encouraged to identify a longer list of schemes for future funding and the majority of these schemes were in the early stages of development with no business cases submitted to DfT. We will advise promoters of these and any other new proposed schemes on how best to proceed in the light of progress in developing a new major schemes funding framework from 2014/15, in line with the move to greater localism described in section 2 above. In the mean time, given the uncertainty of longer term funding, promoters of such schemes need to think carefully before incurring any further development costs, which will be entirely at their own risk.
24. The annexes to this statement describe in more detail the way that the prioritisation process will work and list the schemes in each of the above categories.

ANNEX A: Prioritisation and progress of Local Authority Major Schemes in the Spending Review period

What it means for individual schemes

Schemes with Full Approval (29 schemes)

These schemes were unaffected by the 10 June suspension of guidance and will continue to proceed as before with no changes to the maximum DfT contribution and no immediate changes to the grant arrangements. In the case of the Tees Valley Bus Network, we have committed to working with the promoter to accelerate the funding and construction of this project.

The Tyne & Wear Metro was previously funded outside Regional Funding Allocations. The Government remains committed to the Tyne and Wear Metro Upgrade and will provide up to £350m in capital funding for capital renewals to 2021 (subject to periodic reviews to maximise value for money) and around £230m on ongoing running costs support to 2019, under the terms of the approval granted in February 2010.

Schemes with Conditional Approval (3 schemes)

We will consider the three schemes in this category for Full Approval and will set out our specific requirements with each promoter bilaterally. We will want to look carefully at the costs and scope of each scheme and explore possibilities to reduce costs and increase local contributions. We hope to agree a way forward on funding by January 2011 but this will be dependent on progress on these issues.

Schemes already granted Programme Entry and schemes with valid bids for Programme Entry lodged with DfT before June 10th 2010

These schemes will be divided into three groups:

- The Supported Pool – schemes that we would be prepared to fund, subject to renegotiation of funding bids from Local Authorities.
- The Development Pool – schemes that we will take forward for further analysis and for which we will invite improved funding bids from Local Authorities before deciding which to support.
- Pre-Qualification Pool – schemes on which we will conduct a preliminary appraisal before deciding which can join the Development Pool.

The Supported Pool (10 schemes)

The schemes have been placed into this pool are:-

- 8 Programme Entry schemes that have high Benefit to Cost Ratios, as appraised at the most recent approval point, and adjusted by DfT to take account of new carbon values, landscape impact, indirect tax effects and wider economic benefits
- the two schemes with the greatest funding contributions from non-DfT sources.

What are the next steps for schemes in this pool?

- Scheme promoters will be invited to submit a best and final funding bid by the end of December. This will specify the scheme they will commit to deliver, including any changes in scope, and the funding contribution they will require from DfT to do so.
- Decisions will be made by the end of January on those schemes whose best and final funding bids are accepted. These schemes will then receive a reactivated Programme Entry approval (on revised terms – see Scheme Approval Stages below). Schemes would subsequently progress to a Full Approval decision.
- Schemes not accepted at this point would drop into the Development Pool.

The Development Pool (22 schemes)

The schemes that have been placed in this pool are:-

- All other Programme Entry schemes whose most recent funding approval was in 2006 or later and have a benefit to cost ratio of at least 2.
- Two schemes with Programme Entry bids with the Department on which our analysis was complete before the 10 June suspension of major scheme guidance.

These are schemes for which we have completed a value for money assessment in the last four years, but where we need to re-examine and update the evidence to ensure that the schemes are being compared on a level playing field basis before making final decisions on which can be supported.

What are the next steps for schemes in this pool?

- Promoters of schemes will be invited to submit an expression of interest by the end of December. These will include
 - confirmation that promoters wish their schemes to be taken forward
 - an indication of the likely funding request
 - details of possible scope changes
 - notification of any additional evidence that may have a material impact on value for money
 - confirmation of delivery timescales and risks
- Further detailed work will be conducted with scheme promoters to ensure that we have consistent and comparable value for money evidence for all schemes in the process, and to provide promoters with the opportunity to submit any additional detailed value for money evidence.
- Views on the schemes in this pool will be welcome from Local Enterprise Partnerships and other interested parties, particularly on wider strategic factors that may not be captured in our value for money assessments.
- Promoters will need to submit best and final funding bids by autumn 2011.
- Decisions will be made by the end of 2011 on those schemes whose best and final funding bids are accepted. These schemes will then receive a reactivated Programme Entry approval (on revised terms – see Scheme Approval Stages below). Schemes would subsequently progress to a Full Approval decision.

The Pre-Qualification Pool (34 schemes)

The schemes that have been placed into this pool are:-

- All schemes with Programme Entry other than those in the Development Pool
- All schemes with a valid Programme Entry bid lodged with DfT prior to the 10 June suspension of Majors guidance, other than those in the Development Pool.
- Essential maintenance and/or bridge replacement schemes prioritised in the RFA whether or not a Programme Entry bid has already been lodged with DfT.

These are schemes where we have not completed a business case assessment in the last four years and therefore cannot be certain whether they provide value for money. In addition, some of the schemes in this pool may not be deliverable in the spending review period.

What are the next steps for schemes in this pool?

- We will invite promoters to submit an expression of interest by the end of December, similar to that for Development Pool schemes.
- For schemes with Programme Entry bids lodged with DfT we will conduct a fitness-for-purpose check on existing business cases.
- Essential Maintenance schemes will go through a slightly different process where we will seek to verify evidence on condition and risk.
- Following a sift based on the above, we will make decisions by the end of January on which schemes should join the Development Pool
- After January the Pre-Qualification Pool will cease to exist and any schemes not selected for the Development Pool will not be funded in the Spending Review period.

Basis of decision making

The Coalition Agreement committed the Government to reform the way decisions are made on which transport projects to prioritise. The Department will shortly be publishing its proposals for this.

Any decisions made in the prioritisation process described above will be made on a basis that is consistent with this wider reform of decision making. We will refine the precise methodology to be used but it will be likely to include the following for local authority promoted schemes:

- Value for money
- The proportion of overall funding coming from non-DfT sources
- Deliverability
- Strategic Importance (based on LEP/stakeholder views)
- A consideration of modal and regional balance across the programme

Other schemes previously prioritised within Regional Funding Allocations

The total of the presently requested DfT contribution on all the schemes in these three pools is of the order of £1.7bn in the Spending Review period, nearly double the available funding of £900m. Therefore we cannot at this point consider schemes other than those in the above groups, nor accept any new bids for Programme Entry. Once we have made progress on the development of a new major schemes funding framework and have completed the prioritisation exercise described above by the end of 2011, we will be in a position to provide more guidance to promoters of these schemes on how best to progress them. In the mean time, given the uncertainty of longer term funding, promoters of such schemes need to think carefully before incurring any further development costs, which will be entirely at their own risk.

Under the previous RFA system there was a facility for DfT to fund schemes costing £5m or under via a one off payment, without requirement for a business case assessment. The test these schemes had to pass was to be prioritised by regions against other priorities within an affordability constraint. With the ending of the Regional Funding Allocations, there is now no rational basis to fund these schemes without them being subject to any further tests. We would therefore encourage the promoters of these schemes to look at alternative funding mechanisms including the Local Sustainable Transport Fund and the Regional Growth Fund.

Regional Infrastructure Funds (RIFs) were administered by Regional Development Agencies (RDAs) in three regions, with funding from within the Regional Funding Allocations. Schemes that already have committed funding through RIFs will continue, consistent with our policy on Full Approvals. However, no further DfT funding will be provided to RIFs. It is open to local authorities and Local Enterprise Partnerships to consider whether they wish to take forward similar arrangements that work for them and to consider how to raise the necessary funding.

Local Authority PFI

DfT has re-assessed local transport PFI schemes in development or procurement and identified those that can proceed, taking into account value for money, affordability and their relative stage of development.

Our intention is to proceed with the remaining schemes from the 2nd round of the Streetlighting programme, subject to them remaining value for money. We also intend to proceed with three highway maintenance programmes and the Nottingham tram extensions. As resources are constrained, government needs to ensure that every pound is spent to the maximum benefit. We will therefore be working urgently with local authorities to establish how we can deliver these projects affordably.

It is important that PFI schemes are subject to the same spending scrutiny as other schemes. The suspended 3rd round of Streetlighting schemes can no longer be supported, and will be discontinued, saving £1.1bn over the life of the projects.

Scheme Approval Stages and streamlined processes

The terminology of the existing approval stages - Programme Entry, Conditional Approval and Full Approval - will be retained over the Spending Review period, as these are familiar to local authorities.

Schemes that had Full Approval and Conditional Approval will retain their existing approval status, although as explained above, the latter schemes will be subjected to further scrutiny to maximise value for money.

Schemes with Programme Entry will be subject to the prioritisation process outlined above. Only once schemes successfully emerge from this process will their Programme Entry status be re-confirmed.

These re-confirmed Programme Entry approvals will be on new terms, based on a fixed maximum DfT contribution that results from the best and final funding bids from promoting authorities. The risk layer cost sharing mechanism under the previous Government's guidance will no longer apply. We want to encourage more local management of risk in return for greater freedoms and reduced appraisal burdens, and to ensure that the funds allocated from DfT stretch as far as possible.

In order to minimise the assessment burden, we would expect schemes that reach Programme Entry to progress directly to the Full Approval stage, bypassing Conditional Approval. We may retain Conditional Approval in

exceptional cases, for those schemes where the procurement process is particularly complex or expensive, and where it would be reasonable for the promoters, and indeed the market, to expect an increased level of funding commitment from DfT prior to procurement commencing.

We also intend to scale back the assessment burden at the Full Approval stage. In most cases we will ask only for a confirmation of costs and scope and readiness (that all necessary statutory powers and final contractor prices are in place) and will not require a resubmission of the business case. There may be some cases where changed circumstances mean that a further examination of value for money is necessary but we intend these to be the exception.

Preparatory Costs

All development costs incurred by authorities to date and any further costs incurred in taking schemes through the prioritisation process described above, remain entirely at the risk of the promoting Local Authority. Local Authorities may consolidate eligible preparatory costs (as defined by previous guidance) within their best and final funding bids but are reminded that this will be a competitive process and that the overall proportion of non-DfT funding will be a factor in final decisions.

Resumption of Statutory Processes

In the 10 June statement, the Department announced that public inquiries for schemes requiring DfT funding would be postponed. This measure was designed to save abortive costs at a time when the level of funding likely to be available for new LA Major Schemes during the Spending review period was highly uncertain.

For schemes in the Supported Pool and the Development Pool the Department is now content for public inquiries to proceed. The decision as to whether to proceed with a public inquiry is for the Local Authority concerned and any costs incurred in doing so are at the authority's own risk.

Secretary of State final decisions on scheme orders will, in most cases, not be taken until Programme Entry is re-confirmed after best and final funding bids have been accepted.

ANNEX B: Categorisation of Individual Schemes

Schemes with Full Approval and under construction

Funding confirmed to completion and unaffected by this announcement

Scheme	Promoter
Metrolink Extensions Phase 3a (Rochdale, Oldham and Chorlton)	GMPTE
Metrolink Extensions Phase 3b (Ashton and E Didsbury)	GMPTE
Birmingham Gateway (New Street)	Birmingham
Luton-Dunstable Busway (formerly Translink)	Luton
Bidston Moss Viaduct (M53 J1) Maintenance	Wirral/Merseytravel/HA
Tees Valley Bus Network Improvements	Tees Valley authorities
A130/A13 Sadlers Farm Junction	Essex
East Kent Access Phase 2	Kent
Greater Manchester Highway Retaining Walls Maintenance	Stockport
West Mids Urban Traffic Control	West Midlands Metropolitan Authorities
A41 Expressway	Sandwell
Blackpool & Fleetwood Tramway Upgrade	Blackpool
Weymouth Relief Road	Dorset
A65 Quality Bus Corridor	Leeds
Greater Bristol Bus Network	South Gloucestershire
West Midlands Red Routes Phase 1	West Midlands Metropolitan Authorities
Sittingbourne Northern Relief Road	Kent
A34 Alderley Edge and Nether Alderley Bypass	Cheshire East
Edge Lane / Eastern Approaches	Liverpool
Weymouth 2012 Package	Dorset
Wolverhampton Interchange	Wolverhampton
Poole Bridge Regeneration Initiative	Poole
Metro Ticketing and Gating	Nexus
Selly Oak New Road	Birmingham
Burnt Tree Junction	Dudley
Greater Manchester Urban Traffic Control (UTC)	GMPTE
Hall Lane Strategic Gateway	Liverpool
Taunton Third Way	Somerset
Tyne & Wear Metro upgrade	Nexus

Schemes with Conditional Approval

To be considered for progression to Full Approval on a case by case basis

Scheme	Promoter
Walton Bridge	Surrey
Reading Station Highway Works	Reading
Isles of Scilly Link	Cornwall

Schemes in the Supported Pool

Will be funded subject to revised funding bids from Local Authorities. Funding to be confirmed in January following receipt of bids.

Scheme	Promoter
Thornton to Switch Island Link	Sefton
Taunton Northern Inner Distributor Road	Somerset
Heysham to M6 Link Road	Lancashire
Leeds Station Southern Access	Metro
East of Exeter	Devon
A57 M1 to Todwick Crossroads	Rotherham
Mansfield Public Transport Interchange	Nottinghamshire
Ipswich Fit for the 21st Century	Suffolk
Mersey Gateway Bridge	Halton
Midland Metro Extension	Centro

Schemes in the Development Pool

Value for money confirmed but not all will be affordable. Subject to further analysis, consultation and revised funding offers from Local Authorities. Decisions by the end of 2011 on which of these will be funded.

Scheme	Promoter
Waverley Link Road	Rotherham
Beverley Integrated Transport Plan	East Riding
A684 Bedale-Aiskew-Leeming Bar Bypass	North Yorkshire
Norwich Northern Distributor Road	Norfolk
Bus Rapid Transit Ashton Vale to Temple Meads	Bristol
Loughborough Town Centre Transport Scheme	Leicestershire
Leeds Rail Growth Package	Metro
Nottingham Ring Road	Nottingham
Access York Park & Ride	York
Weston Super Mare package	North Somerset
Bath Transportation Package	Bath and N E Somerset
A6182 White Rose Way Improvement Scheme	Doncaster
Rochdale Interchange	GMPTTE
Crewe Green Link Southern Section	Cheshire East
Sunderland Strategic Corridor	Sunderland
A18-A180 Link	North East Lincs
Manchester Cross City Bus	GMPTTE
Pennine Reach (East Lancs Rapid Transit)	Blackburn with Darwen
Supertram Additional Vehicles	SYPTTE
Hucknall Town Centre Improvement Scheme	Nottinghamshire
Leeds New Generation Transport (trolleybus)	Metro
Bexhill to Hastings Link Road	East Sussex

Schemes in the Pre-Qualification Pool

Value for money not clear. Subject to preliminary assessment before decisions in January 2011 on which of these can join the Development Pool.

Scheme	Promoter
A509 Isham Bypass	Northamptonshire
Watford Junction Interchange	Hertfordshire
A43 Corby Link Road	Northamptonshire
A1056 Northern Gateway	North Tyneside
Luton Town Centre Transport Scheme	Luton
Sunderland Central Route	Sunderland
Darlaston Strategic Development Area scheme	Walsall
Camborne-Pool-Redruth Transport Package	Cornwall
Castleford Town Centre Integrated Transport Scheme	Metro
A24 Ashington to Southwater	West Sussex
A164 Humber Bridge to Beverley improvements	East Riding
Northern Road Bridge	Portsmouth
Kingskerswell By-pass	Devon
South Bristol Link Phases 1&2	Bristol
Worcester Integrated Transport Strategy	Worcestershire
Chester Road	Birmingham
Lincoln Eastern Bypass	Lincolnshire
South Yorkshire Bus Rapid Transit Phase 1 (Northern Route)	SYPT
Morpeth Northern Bypass	Northumberland
Tipner Interchange	Portsmouth
Coventry-Nuneaton Rail Upgrade	Coventry/Warwickshire
A61 Penistone Road Smart Route (including QBC)	Sheffield
South Essex Rapid Transit	Essex/Thurrock/Southend
Bus Rapid Transit North Fringe to Hengrove Package	Bristol
Croxley Rail Link	Hertfordshire
Stafford Western Access Improvements	Staffordshire
Elmbridge Transport	Gloucestershire
Bus Corridor Improvement Scheme - Orpheus Bus Phase 1	Nexus
A338 Bournemouth Spur Road maintenance	Dorset
Evesham Bridge Maintenance	Worcestershire
A45 Westbound Bridge	Solihull
A38(M) Tame Viaduct	Birmingham
London Road Bridge	Derby
Leeds Inner Ring Road	Leeds

PFI Schemes that will proceed, subject to confirmation on value for money
Knowsley Streetlighting
Oldham & Rochdale Streetlighting
Croydon & Lewisham Streetlighting
Eastern Shires (Cambridgeshire & Northamptonshire) Streetlighting

PFI Schemes that will proceed, subject to working with local authorities to ensure projects can be delivered affordably.
Sheffield Highways Maintenance
Hounslow Highways Maintenance
Isle of Wight Highways Maintenance
Nottingham Express Transit extensions

PFI schemes that will not proceed
Hertfordshire Streetlighting
Essex Streetlighting
Kirklees Streetlighting
Warrington Streetlighting
Gloucestershire Streetlighting
Durham with Stockton Streetlighting