

REPORT TO: Cabinet Member Technical Services

DATE: 22 September 2010

SUBJECT: DfT Consultation on Local Transport Funding

WARDS AFFECTED: All

REPORT OF: Andy Wallis
Planning & Economic Development Director

CONTACT OFFICER: Stuart Waldron – Assistant Director Transport & Spatial Planning
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**EXEMPT/
CONFIDENTIAL:** No

PURPOSE/SUMMARY:

To permit Cabinet Member Technical Services to approve a Council response to the Department for Transport Consultation regarding local transport funding.

REASON WHY DECISION REQUIRED:

Cabinet Member Technical Services is delegated to consider consultative documents relating to the Technical Services Portfolio.

RECOMMENDATION(S):

Cabinet Member Technical Services

Note the report

Approves the content of the Council's response to the Department for Transport Consultation.

KEY DECISION: No

FORWARD PLAN: No

IMPLEMENTATION DATE: Following the expiry of the 'call in' period for the minutes of the meeting

ALTERNATIVE OPTIONS:

None – the Council should make representation to proposals that may affect future funding.

IMPLICATIONS:**Budget/Policy Framework:**

Financial: **None**

<u>CAPITAL EXPENDITURE</u>	2009 2010 £	2010/ 2011 £	2011/ 2012 £	2012/ 2013 £
Gross Increase in Capital Expenditure				
Funded by:				
Sefton Capital Resources				
Specific Capital Resources				
<u>REVENUE IMPLICATIONS</u>				
Gross Increase in Revenue Expenditure				
Funded by:				
Sefton funded Resources				
Funded from External Resources				
Does the External Funding have an expiry date? Y/N	When?			
How will the service be funded post expiry?				

Legal: **None**

Risk Assessment: **N/A**

Asset Management: **N/A**

CONSULTATION UNDERTAKEN/VIEWS

FD 507 - The Interim Head of Corporate Finance & Information Services has been consulted and has no comments on this report.

CORPORATE OBJECTIVE MONITORING:

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Creating Safe Communities		√	
3	Jobs and Prosperity		√	
4	Improving Health and Well-Being		√	
5	Environmental Sustainability		√	
6	Creating Inclusive Communities		√	
7	Improving the Quality of Council Services and Strengthening local Democracy		√	
8	Children and Young People		√	

LIST OF BACKGROUND PAPERS RELIED UPON IN THE PREPARATION OF THIS REPORT

1.0 Background

1.1 The Department for Transport, (DfT) are consulting on changes to the Government's Local Transport Plan Funding regime. This consultation can be accessed at www.dft.gov.uk/consultations/open/2010-32/

1.2 ***Responses have to be submitted to DfT by 6th October 2010***

2.0 Context and summary of the consultation

2.1 The Local Transport Plan (LTP) process provided a mechanism for drawing down capital funding from central government, to support the plan's delivery. This funding is made up of two principal grants, *the Integrated Transport Block (capital funding for small transport improvement schemes) and the Highways Maintenance Block – (capital funding for maintenance schemes)*.

2.2 Ahead of the second LTP period (2006-2011), the Department confirmed that it would allocate funding over a longer timescale and on a formulaic basis. LTPs thus ceased to be bidding documents, though DfT made provision to reward or penalise local transport authorities, based on the quality of delivery during the first phase of LTPs and also on the quality of draft second LTPs. Merseyside and Halton both received a 25% financial uplift on the indicative 5-year settlement as a result of the DfT's "excellent" rating.

2.3 The approach to LTP3 is expected to be similar to LTP2 in respect of a formulaic funding allocation, though without any element of reward funding.

2.4 The DfT consultation sets out the government's proposed approach to the calculation and distribution of the LTP funding.

Main points

- A significant element of the consultation concerns the precise formulae that affect the distribution of the funding between English local transport authorities. This includes seeking views on amendments to the criteria used and how data is refreshed.
- It also asks whether capital funding for the maintenance of carriageway and bridges on the Primary Route Network and for detrunked roads should be merged into the maintenance block formula from 2011/12. These are currently provided for maintenance based on length of detrunked road passed to Local Authority responsibility and for bridges on specific bids supported by condition survey results
- Questions are also posed around whether the block funding should be paid out as grant or supported borrowing.

- One of the most significant issues concerns the arrangements *for funding in the six Metropolitan Areas*, and in joint Local Transport Plan areas. At present, Integrated Transport Block funding is awarded to the Integrated Transport Authority (ITA) and to the five Merseyside Local Authorities by Government Office for the North West, based on a locally-agreed (largely population-based) formula. Merseytravel receives some 50% of the overall Merseyside settlement. The Highways Maintenance Block is paid directly to the five district councils in their capacity as local highway authorities.
- The consultation asks for consultees' views on whether both Integrated Transport and Maintenance blocks should be paid solely to Integrated Transport Authorities in Metropolitan Areas. It also asks about whether existing flexibilities for distributing funding in Joint Local Transport Plan Areas should be retained.

3.0 Future Funding

- 3.1 In advance of the Comprehensive *Spending Review*, all of the Department's local transport funding is under consideration. It can be expected that the level of local transport funding will be greatly reduced for LTP3. *Merseyside authorities have suffered an £8 million reduction to the current year's LTP settlement in June, as a result of the government's in-year savings*, along with a further £2.2m cuts in areas such as road safety and congestion management.
- 3.2 After the Spending Review, Government will publish a Local Government Finance Settlement in early December. It is expected to include the two transport block grants for each authority.
- 3.3 *This consultation does not affect funding for Major Schemes*, which are transport schemes costing more than £5 million. Until the change in government in May, these schemes were funded through the Regional Funding Allocation (RFA) process. The RFA process has been wound-up, and no new major schemes can be pursued at present. The government will determine the future of many existing major schemes as part of October's Spending Review.

4.0 Key Issues for consideration

- 4.1 At the time of drafting this report, internal discussions and assessments, plus consultation with the Merseyside Transport Partnership are ongoing. Hence a full response for consideration by Cabinet Member has not been included in the report, but will be circulated prior to the meeting. Response will be based around consultation questions provided in the consultation documents as set out in Annex A.
- 4.2 Key issues to be considered are:

The LTP Capital Programme provides funding support for workstreams undertaken under contract with Capita Symonds, provides a fee basis for supporting Client functions and directly funds posts that manage and develop the

Council's transport programmes. These have developed through previous LTP arrangements based on priorities agreed within the partnership of Merseyside Authorities. To maintain progress and continuity to protect the Council's assets funding streams need to be maximised to meet the needs and demands of the Borough. Any significant changes will require detail management of resources.

The Local Government Act 2008 requires a review of Transport Governance within the City Region and is being progressed, also the Government's proposed 'Localism' Bill is being widely heralded as a new way forward. The impacts of these will need to be taken into consideration.

- 4.3 As the proposals affect funding directly received by the Council, a Council response will be provided, recognising discussions with City Region partners and guidance from the City Region Cabinet to be taken into account.
- 4.4 The Council's views will be advised to the Integrated Transport Authority (ITA) in advance of their meeting on the 5th October 2010, when an ITA response will be agreed.

5.0 Conclusion

- 5.1 Capital funding through the Local Transport Plan process since 2000 has enabled major progress to be made within the Borough to the development and maintenance of the highway network.
- 5.2 The Council seeks to ensure proposed Government changes do not adversely affect the ability to continue this progress, recognising the impact of current financial restraint.

DfT - Optional template for consultation responses

The consultation period closes on Wednesday 6th October 2010. We do not require every question to be answered.

Name of Authority:

Contact details in case of queries:

Question 1 - The only change that the Department is considering in either of the two formulae in advance of this year's Local Government Finance Settlement is the option to disregard road condition in the maintenance block formula. What are consultees' views on this approach?

Question 2 – What are consultees' views on possible longer term changes to the formulae, in particular on the comments above on potential developments to the IT Block?

Question 3 – Do consultees agree that there should be a data refresh?

Question 4 – Do consultees have any comments on the refreshed data as set out in Annex G?

Question 5 – Do consultees wish to see transitional arrangements to mitigate the impact of the data refresh, and if so, what should these be?

Question 6 – Do consultees agree with the Department's approach for merging funding for structures on the Primary Route Network and for detrunked roads within the maintenance block formula from 2011/12?

Question 7 – Would local authorities prefer to receive funding as grant or supported borrowing, and what are consultees' views on the priorities for paying out grant if there is a mix of grant and supported borrowing?

Question 8 – What are consultees' views on the option to allocate the IT and maintenance blocks solely to Integrated Transport Authorities in the six Metropolitan Areas?

Question 9 – Should Metropolitan Areas and other areas producing Joint Local Transport Plans be allowed to retain the flexibility to vire IT Block funding between authorities as permitted in the last funding settlement?

Question 10 – Do consultees have any other issues they would like to raise about the calculation or distribution of the integrated transport or highways maintenance blocks, including on the overall size of the blocks relative to other capital funding and relative to each other?

Please send consultation responses to:

LT.PLANS@dft.gsi.gov.uk

or

Local Transport Funding Consultation
Department for Transport
Great Minster House, Zone 3/14
76 Marsham Street
London SW1P 4DR