

## SOUTH WEST REGIONAL ASSEMBLY

### EXECUTIVE COMMITTEE

Friday 13 February 2009

#### Regional Funding Advice 2009/2019 Transport Programme

#### 1. Purpose of Report

- 1.1 To provide Members with the opportunity to comment upon and agree the detailed Transport Programme for 2009 to 2019 and beyond needed to meet the region's requirements for economic growth, sustainable urban development and regional connectivity.

#### 2. Recommendation

- 2.1 It is recommended that the Executive Committee:

- (i) welcomes the opportunity to advise on regional transport priorities but recognises the inadequacy of the region's share of national resources for major transport schemes and continues to make clear at every opportunity that more resources are required for investment in transport infrastructure to facilitate development of the region's 21 Strategically Significant Cities and Towns and to improve regional connectivity;
- (ii) agrees the proposals set out in Table 1 as a pragmatic way of ensuring the accumulated underspend from the early years of RFA 1 is used to fund major transport projects capable of delivery over the next 2 financial years and that the proposals for funding structural maintenance are based on a part 'loan' arrangement involving Dorset and Somerset County Councils entering into legal agreements to repay 1/3<sup>rd</sup> of the cost during the RFA2 period, via the Regional Infrastructure Fund (RIF) process (paragraph 3.4);
- (iii) agrees the table of committed schemes contained in Table 2 in **Appendix 1** for the 2009-2014 period which are the agreed priorities from RFA1 plus provision for a contribution to the costs of the Swindon-Kemble rail upgrade (paragraph 3.7) , an increased input into RIF, a capacity fund and including expenditure on the Weymouth Olympic Transport Package and the Isles of Scilly proposals previously agreed by the Assembly Executive Committee with the retention of the 'cap' on RFA funding, including the Weymouth package on the basis that it will be delivered in time for the Olympics in mid 2012;
- (iv) supports the balance between proposals which deliver the urban growth agenda, about 78% of total scheme cost and the proposals which deliver connectivity improvements in the region, about 22% of total scheme cost (para 3.9);

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- (v) supports the table of priority schemes in Table 3 in **Appendix 1** for starts during the 2014/2019 period, para 3.12; on the basis of 'capped contributions' but with individual authorities having flexibility across their schemes. So if one of an authority's schemes increases in cost this will need to be found by cost reductions from their other schemes;
- (vi) supports the proposal to identify expenditure in the post 2019 period in recognition that certain schemes identified will start late in the 2014/19 period and inevitably spill over into the post 2019 period, in the knowledge that this will have the effect of pre-empting significant expenditure in RFA3;
- (vii) advises on whether Members wish to submit with the level of over spend in the 'best fit' proposal agreed with local authority officers which is in excess of DfT 20% rule, or reduce the overspend to 20% for the RFA2 period and consider the options set out in para 4.4 for doing so;
- (viii) agrees with the roll forward of Local Integrated Block expenditure into RFA2 and supports the proposal for further work to be carried out by officers to assess the impacts of any redistribution (para 5.1).

## 3. Background

3.1 The RFA2 process is an opportunity to influence over £1bn of expenditure by DfT in the region over the period 2009-2019 on major schemes and the Integrated Transport Block made available to local authorities. The regional bodies' (Regional Assembly, Strategic Leaders, SWRDA Board) role in the Transport part of RFA is to provide clear guidance on regional priorities and to ensure the resulting programme is managed within DfT guidelines. The assessment of regional priorities is based on the fit with the Regional Spatial Strategy and the Regional Economic Strategy. This is done in close collaboration with local authorities and Highways Agency, the main scheme promoters. It is not a role for the regional bodies to evaluate individual proposals in terms of value for money or other criteria used by DfT in arriving at their decisions about whether to release funds. The ground rules for the type of scheme which will be eligible under the 'majors' programme are clear:

- 'major' transport proposals costing more than £5m
- structural maintenance projects costing more than £5m
- rail projects are eligible

3.2 There are three components to the advice about investment in major schemes presented below for Members' approval:

**A. Proposals to deal with the accumulated underspend of about £26m arising from slippage of RFA 1 proposals (from the 2006/09 period).**

**B. A restatement of the committed programme for the period 2009/2014 which derives from RFA1 stated priorities.**

**C. Proposals for a programme for the period 2014/2019 and beyond.**

**A RFA 1 Underspend 2006 to 2009**

3.3 Members will know that a concern during the RFA1 period has been the underspend on proposals brought forward in that process. (DfT letter at Appendix 3) There is a danger that the accumulated underspend from the first period of RFA 1 could be lost to the region if not committed and spent. The Assembly's Advisory Regional Transport Board (RTB) at its meeting on 29 January considered a joint proposal from the Assembly Secretariat and SWRDA to deal with this; the issue having been considered previously by the RTB and the Assembly Executive Committee. Some Members at the RTB meeting expressed concern at the nature of the proposals being made but the meeting resolved to proceed on the basis of the proposals contained in Table 1 below, on the basis of 3 major transport proposals which the promoters confirm can be brought forward and delivered during the next 2 years

<b>Table 1 Proposals for Accumulated 2006-2009 Underspend</b>				
Promoter	Proposal	Purpose	Gross cost	Repayable
Dorset County Council	A338 Structural Maintenance	Reconstruction of principal road into Bournemouth and airport from the A31 trunk road	26.00	8.58
Somerset County Council	A358 Structural Maintenance	Partial reconstruction of A358, linking the A303 trunk road to the M5 J25	6.00	2
Torbay Council	Tweenaways Cross Remodelling	Improvement to a key junction to reduce congestion within the Torbay area	4.10	Nil
SWRDA/Gloucestershire County Council/Swindon BC/Network Rail	Swindon-Kemble rail study	To assess dualling of part of an existing rail link between Swindon and Gloucester to increase capacity and provide an upgraded diversionary line to S Wales	1.60	Nil
<b>Total</b>			<b>37.7</b>	<b>10.58</b>

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- 3.4 Members' concerns about the A338 proposal have been about the scale of the cost involved and the precedent set by spending on maintenance. The Somerset A358 scheme is also major maintenance. On this point, it is clear from the RFA guidance that local authority major maintenance schemes costing more than £5m are allowable. Regarding the scale of cost, discussions have taken place at officer level to see if the 'grant' contribution from RFA funds can be limited. This could take the form of a contribution from RFA1 underspend pegged at 2008 cost estimates with one third of this figure together with any cost over runs covered by Dorset and Somerset County Councils respectively. The remainder of the funding would then be in the form of a 'loan' to the authorities. Further discussion will be needed with the South West Regional Development Agency (SWRDA) about whether processes set up for RIF can be used to secure repayments.
- 3.5 The SWRDA is content to support the inclusion of the, now two, maintenance schemes on the basis that, no other - higher priority - schemes are capable of being brought forward to spend in the required period and that the RFA net contribution for those two schemes does not exceed 2/3rds of the estimated cost. No other major schemes capable of being delivered in this time period have come forward. Other possible ways of using the underspend suggested are to replenish the RIF, to support dualling of the Swindon-Kemble rail line and to transfer to other RFA 'pots'. The RIF first tranche of DfT funding in RFA1 although in part committed has not yet been drawn down and proposals are included in RFA2 to add further funds. Regarding a contribution to the Swindon-Kemble proposal, this has been accommodated in the proposal for 2009/14 commitments in Table 2 in **Appendix 1** but a contribution towards the costs of the study is included in Table 1. At its meeting, the RTB agreed with the proposition that virement to other RFA 'pots' should be a last resort after transport proposals had been exhausted.
- 3.6 Members are asked to agree the proposal in Table 1.

## **B RFA1 Commitments 2009 to 2014**

- 3.7 This is the second full round of prioritisation that the region has carried out as part of the RFA and Comprehensive Spending Review (CSR) process. The region's first set of transport priorities were submitted successfully in early 2006. Contrary to some concerns expressed at the time, the RFA 1 priorities signalled a significant shift to public transport and transport management solutions. The South West was praised for the amount of public transport spend. **Appendix 1**, Table 2 sets out the commitments from RFA1 which, together with a proposed 50% contribution towards the costs of the Swindon-Kemble Rail project which just failed to be included in the DfT Rail forward programme, a contribution to the 'loan' element of the proposal for dealing with the accumulated underspend, and an increased contribution to RIF which this time would need to recycle back to RFA before 2019 is put forward as the region's programme for the first 5 years of RFA2.

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- 3.8 Table 2 **Appendix 1** includes the costs of Weymouth Olympics Package and the Isles of Scilly ferry and harbour proposals at the level previously approved by the Assembly Executive Committee on the basis that the amounts would be capped. Members will see in the background information supplied that both are requesting increases to RFA funding amounting to £2.7m and £1.21m respectively. In constructing the tables for RFA2 the amounts included for these two schemes are at their capped levels. Members will need to decide whether to retain the cap on these schemes.

## C Programme for 2014 – 2019 and beyond

- 3.9 One of the key points for Members to take account of when considering the forward programme proposals for 2014 – 2019 and beyond is that the draft programme presented attempts to draw together proposals for transport investment which deliver two important regional outcomes expressed in RSS and RES; that is
- to help improve the economic position and sustainability of the region's 21 Strategically Significant Cities and Towns (SSCTs) and their ability to accommodate the significant future growth and development proposed, with transport as a major component of place-based infrastructure. This accounts for about 78% of cost of the proposals
  - to contribute to the sustainable economic development of the region and improvements in regional productivity by improving the resilience and reliability of important routes and connections between places and to other modes such as airports. This accounts for about 22% of the cost of the proposals. (The distinction between 'urban' and 'connectivity' proposals is to some extent artificial and some of the urban proposals which provide better links into railway stations for example are key elements of connectivity.)
- 3.10 The link between economic development and housing and investment in new and improved transport infrastructure has been one of the main issues identified during consultation on the RSS and RES. In particular this is one of the most important considerations for local authorities when assessing how places can accommodate the scale of growth being proposed in future plans. The proposals being brought forward are seen by their promoters (principally the local authorities) as the minimum level of investment needed to accommodate this future growth at the region's SSCTs. Full assessments have yet to be made in some parts of the region to establish the actual scale of investment in infrastructure including transport needed by the RSS growth. The need to make this assessment was expressed in the Baroness Andrews' letter about the RSS and will be addressed over the next year. (**Appendix 3**)
- 3.11 The List of proposals contained in **Appendix 1** Table 3 has resulted from several rounds of discussion and information exchange with Strategic Authority Directors and agencies, [taking account of stakeholder views and the input of the Regional Transport Forum](#), reducing an initial list of about £3bn and is the 'best fit' available from that process, emphasising giving each authority's priority

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schemes for dealing with major urban growth a start in the 2014/2019 period; although in some cases it is expected that the bulk of expenditure will be after 2019.

- 3.12 The urban growth based transport proposals in RFA2 have been assessed in terms of their general alignment with the RSS spatial strategy and against Department for Transport (DfT) Delivering a Sustainable Transport System (DaSTS) criteria which help establish the degree of fit with the RSS main Transport Policies. The technical officer assessment against the DaSTS and the RSS Transport policies (Proposed Changes) are contained in **Appendix 2** of this report.
- 3.13 **Appendix 2** also contains a map produced by Highways Agency which shows future 'stress' on the motorway and trunk road network in the region. The essence of the separately identified 'connectivity' proposals is to propose improvements needed to regionally important strategic routes in the region, largely to enhance economic performance by relieving congestion. The SWRDA is clear in their advice that adequate provision needs to be made in the future programme to support connectivity improvements. Making best use of existing transport networks, targeting new infrastructure to unlock pinch points to improve the reliability and resilience of journey times, and maximising opportunities to achieve reductions in the growth of road traffic are essential to ensuring that the transport system functions effectively and is able to support the aims and planned outcomes in the RSS and RES.
- 3.14 A first step with routes such as the A31 and the A303/358 Second Strategic Route is for the Highways Agency to carry out further studies to identify lower cost management solutions. A total of £190m has been identified in the extended programme, 2014 – 2019 and beyond, to fund the results of these studies. The inclusion of these routes in RFA2 will allow the Highways Agency to commission these studies. In the case of the A419 a solution has been identified but at a cost (£280m plus) which is unaffordable in terms of the SW RFA. In order to progress this much needed improvement providing an alternative link between the M4 at Swindon and the M5 at Gloucester, there will be a need to persuade government to include it as a national route funded from other sources. Regarding the proposal for the A30 Temple improvement which is included in the list for decision, the Regional Transport Board agreed to support its inclusion on the basis only that half the cost be found from European funding; this has proved to be unavailable. Cornwall County Council has offered to take the scheme forward [in conjunction with the Highways Agency](#) and to peg the cost at £60m. The scheme is important in terms of providing Cornwall with more resilient links with little effect on the rest of the region, but is capable of being brought forward relatively quickly if slippage in other schemes happens, which is always a problem and has contributed to the current underspend situation.
- 3.15 Members are asked to provisionally agree the draft list of proposals in **Appendix 1**, Table 2 as the region's priorities, but then consider the broad spend profile in light of the programme management issue below.

## 4 Programme Management Issues

- 4.1 One of the most important programme management issues affecting the South West is slippage in the development and delivery of major schemes. As the region has moved away from a road building programme to complex urban packages, based largely on public transport and transport management, the potential for slippage has increased. This is a concern also for the future programme and it is sensible to include a balance of schemes, some of which can be brought forward earlier than programmed if slippage elsewhere should occur. There is also the possibility of DfT allowing 'unbundling' of approved urban packages, so that easy to deliver elements can be brought forward. This approach should be supported as it will facilitate programme management. RFA2 also includes provision for funding to assist capacity to develop and progress schemes. This was not allowed in RFA1.
- 4.2 The more serious programme management issue for members to consider relates to the extent of the overspend included in the draft programme. DfT guidance stipulates that the overspend over the whole programme 2006 to 2019 should not exceed 20%. Advice from local authority Directors and from agencies is that for the longer term significant over programming is needed to ensure a supply of projects coming forward and able to deliver. Too tight a programme in RFA1 has been one of the reasons for the underspend. Members will see from Table 2 in **Appendix 1** that for the 5 years 2014 to 2019 the extent of over programming proposed is about 31% compared with about 20% for the preceding 5 years 2009-2014. The combined over programming is just over 25% for the 10 year period and to achieve even this level requires assumptions about projects calling on funds in the post 2019 period.
- 4.3 The guidance we have received about the 20% overprogramming rule has firmed up toward the end of the process and it is clear that other regions are receiving similar strong advice. (Letter from GOSW attached as **Appendix 3**.) The position in terms of overprogramming varies across the regions and members will be provided with an update at the meeting. The sanction for non-compliance is that DfT will reject the advice. This could obviously affect the region's credibility with government in terms of being able to manage difficult decisions. Members will need to decide whether to stick with the draft programme contained in Table 2, which has arisen from the officer discussions which has the broad support of Environment Directors and the SWRDA and HA and risk DfT intervention or to reduce the potential overspend across the programme to 20% before submission.
- 4.4 To assist Members in considering this matter there are three possible approaches:
- (i) to re-profile selected schemes to delay starts and push further funding into the post 2019 period, or

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- (ii) advise authorities that are not at draft business case stage that they will need to scale back their expectations of funding available from the RFA budget;
- (iii) remove some schemes completely from the programme and if possible place in a 'reserve list' for inclusion should funds become available. This would be schemes shown toward the back of the programme.

For the meeting on 13 February, Secretariat Officers will endeavour to provide a proposal for how scaling back might be achieved. This will not have been fully consulted on by officers and Members will be asked to provide a steer on whether this is an acceptable way of managing the programme down.

- 4.5 To achieve a result of 20% overprogramme will require a reduction in spend in 2014 to 2019 in the £50- £60m range.
- 4.6 At this stage Members have been provided with a very broad distribution of funding to schemes across the forward programme. Work is continuing to provide the detailed annualised programme which DfT requires as part of the submission. Once completed during the week preceding the meeting, this may have implications for the scale of the projected overspend which can be explained at the meeting.
- 4.7 It is clear from the draft forward programme for the 2014/2019 period that the available funds are over-subscribed. Programme management means that certain schemes starting towards the end of the 5 year period will spill over into the years beyond 2019 and there is a clear assumption behind this that funds will continue to be available. As things stand with the suggested programme, the scale of expenditure in the post 2019 period pre-empts most of the funds in that period if the current scheme cost estimates are accurate. The extent of this pre-emption of RFA3 funds may not prove acceptable to DfT. The cost estimates later in the period in some cases are only approximations at this stage. In consequence of the scale of the proposed programme, there will be no room for major cost escalation and there will be an expectation that value engineering will in some cases reduce potential project costs as business cases are developed. In addition, in the programme presented, the level of local contributions towards costs, which has to be 10%, has been uplifted to at least 12% for schemes. For those schemes with later starts in the programme, this may need to be revisited and if market conditions improve the level of local contribution may need to be increased to nearer 20% in order to stretch the available RFA funds.
- 4.8 Members are asked, therefore, to approve the forward programme post 2014 on the basis of capped contributions but with individual authorities having flexibility across their schemes. So if one of an authority's schemes increases in cost this will need to be found by cost reductions from their other schemes.

## **5 Local Integrated Block**

- 5.1 The supplementary RFA2 guidance for transport asked regions to advise Government on the relative size and distribution of the Local Transport Blocks (post 2010-11), including the proportions of funding to be allocated between blocks and majors schemes. This advice would need to be informed by a comprehensive evidence base that established the impacts of any redistribution of funding on the ability of the local authorities to meet their local responsibilities (e.g. network management responsibilities, ongoing maintenance, safety etc) and their agreed LAA/MAA targets. Within the time and resources available for the RFA2 process it has not been possible to undertake this exercise. Therefore the Region's advice is that the existing indicative allocation for the Integrated Block and Maintenance funding is retained for RFA2.

## **6 Carbon Impact**

- 6.1 The region is responding to the challenge of climate change and this is covered in the Integrated Advice document. There is a requirement to account for the carbon emissions effects of the transport programme and the region has made use of existing transport models to provide illustrative examples of background growth in CO2. This work shows that even with major investment in public transport, the best that is likely to be achieved is modest reductions in the growth in CO2 emissions.

## **7 Officer Discussions**

- 7.1 The region's strategic authority Environment Directors and representatives of the SWRDA and HA advised by GOSW have been involved in a round of technical discussions and exchanges of information to enable this proposed programme to be put together. This support has been vital in developing the programme.

**Peter Brown**  
Senior Director

**Chris Mitchell**  
Assistant Director

**Jenny Pritchard**  
Regional Policy Manager

### **Appendices:**

1. Draft RFA Transport Programme – Tables 2 and 3
2. Background Scheme Description, RTS policies, DASTS assessments/strategic fit
3. Correspondence – Baroness Andrews, GOSW and DfT