House of Commons
Transport Committee


Second Special Report of Session 2014–15

Ordered by the House of Commons
to be printed 1 September 2014
The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Transport and its Associate Public Bodies.

Current membership

Mrs Louise Ellman (Labour/Co-operative, Liverpool Riverside) (Chair)
Sarah Champion (Labour, Rotherham)
Jim Dobbin (Labour/Co-operative, Heywood and Middleton)
Jim Fitzpatrick (Labour, Poplar and Limehouse)
Karen Lumley (Conservative, Redditch)
Jason McCartney (Conservative, Colne Valley)
Karl McCartney (Conservative, Lincoln)
Mr Adrian Sanders (Liberal Democrat, Torbay)
Chloe Smith (Conservative, Norwich North)
Graham Stringer (Labour, Blackley and Broughton)
Martin Vickers (Conservative, Cleethorpes)

Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

The Reports of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at http://www.parliament.uk/transcom. A list of Reports of the Committee in the present Parliament is at the back of this volume.

The Reports of the Committee and the formal minutes relating to that report are available in a printed volume. Written evidence is published on the internet only.

Committee staff

The current staff of the Committee are Gordon Clarke (Clerk), Nick Beech (Second Clerk), Alexandra Meakin (Committee Specialist), Adrian Hitchins (Senior Committee Assistant), Stewart McIlvenna (Committee Assistant), and Hannah Pearce (Media Officer)

Contacts

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Second Special Report

On 18 July 2014 we received a response from the Government to the Transport Committee’s Seventeenth Report of 2013–14, Local transport expenditure: Who decides?, which we publish with this Special Report.¹

Introduction

The Government welcomes this opportunity to respond to the Transport Select Committee’s recommendations on local transport expenditure.

Government Response

Bidding Competition

Recommendation 1. Competitive bidding for funds could potentially lead to considerable wasted expenditure on bids. It is a centralising process which may favour better resourced authorities. We recognise that competition can be a creative process which can be used on occasions where the benefits of the creativity associated with competition are likely to outweigh the costs. We recommend that the DfT ensures that the arrangements for bidding mitigates these problems as far as this is practically possible.

We welcome the Committee’s recognition that competition can bring a level of creativity which can outweigh the costs incurred as part of that process. The Government strongly believes that competition for these funds, as recommended by Lord Heseltine in his report², has generated some genuinely innovative thinking and rewarded those with the best arrangements for ensuring that taxpayers will get value for money as well as transport schemes built on time and on budget.

The Government also believes that in a world of finite resources and where a considerable amount of freedom and flexibility in how to use those resources is potentially available, some level of scrutiny, before allocation, is necessary. The allocation of the Local Growth Fund via assessment of Strategic Economic Plans has tried to meet the balance between the benefits of a competitive process without the burden of having every project assessed. Nevertheless, the Government pre committed over £1 billion of future funding on a per capita basis in July 2013 so that each Local Enterprise Partnership area had some certainty of future transport funding. Additionally, projects which did not receive funding in the first round of the Local Growth Fund may receive funding in future rounds with further refinement or if given higher priority by the Local Enterprise P.

¹ HC 1140, published on 3 June 2014.
² No Stone Unturned: in pursuit of growth
It is the Government’s intention to learn from the assessment process used to determine the first tranche of Local Growth Funding and ensure that future assessments continue to strike the right balance between expenditure on bidding costs and the benefits of a competitive process.

**London and distribution across the rest of the country**

Recommendations 2 and 6. Far less money is spent on transport projects outside London than in the capital. We recommend that the Department aim for a more equitable distribution of transport funding when making awards under the Local Growth Fund.

A crucial test for the new funding arrangements is that they secure a fairer allocation of transport funding across England. The under-funding of transport projects outside Greater London in recent years cannot be allowed to continue. Ministers must use the new funding arrangements, via the Local Growth Fund, to ensure that there is a fairer allocation of funding to transport projects beyond London, and not just in city regions, City Deal areas and current enterprise zones. No area across our nation should be second class in relation to the allocation of transport infrastructure funds.

London has a unique dependence on public transport; transport demand in London is on a different scale to elsewhere, unmatched by any other major city – and so public spending on transport is uniquely high. London is the biggest city in the UK and a global capital, supporting 850,000 commuters to London per working day, and about 4 billion passenger journeys in 2013/14, which is counted as spending per head in London.

However, the London Enterprise Panel (London’s Local Enterprise Partnership) was not allowed to include bids for transport projects within its Strategic Economic Plan. This recognises the unique relationship the department has in funding transport in London via the Greater London Authority transport grant as set out in the Greater London Authority Act 1999.

The allocation of the Local Growth Fund beyond London has gone to all areas of the country, not just city regions or enterprise zones. The allocations are broadly equitable but reward those who, via their Strategic Economic Plans, have been able to demonstrate a coherent story for growth, a strong plan and strong proposals which will provide good value for money, as well as the ability of the Local Enterprise Partnerships and their partners to deliver on their proposals.

On 7 July 2014 the Government made, by some way, the largest local transport funding announcement for over a decade; over £3 billion of government funding for new local transport schemes in total. This includes £1.5 billion of funding for 180 road schemes, from congestion pinch points and maintenance projects to a small number of new bypasses. Examples include the Preston Western Distributor Road, improvements to the A338 Spur Road in Bournemouth and major maintenance of the Tame Valley Viaduct linking central Birmingham to the M6.

Additionally, there are around 50 schemes with close to £600 million of funding for public transport, walking and cycling schemes. Examples include the Plymouth Northern Corridor Strategic Cycle Network, new bus stations for Gloucester and Chester, a new
parkway rail station at Thanet in Kent and refurbishment of the Central Metro Station in Newcastle. Through these sorts of investments the Government believes it is addressing the levels of transport funding across the country.

**Transport within the Local Growth Fund**

Recommendation 3. Given the significant funding that the Department for Transport is putting into the Local Growth Fund—some £6 billion from 2015-16 to 2020-21—it is unfortunate that there is no clarity about how much of that funding will be used for transport projects. 

*DfT must make sure that LEPs implement transport projects for which they receive money from the Local Growth Fund. We recommend that the department publish an annual assessment of the progress LEPs are making in this area.*

The whole purpose of the ‘single pot’ concept is to break down funding silos to optimise the growth generated by investment in infrastructure. That said, transport facilitates so many aspects of growth from homebuilding to travel to work that is inevitable it will represent a significant portion of Local Growth Fund awards.

The 7 July 2014 announcement set out the details of Growth Deals with each of the 39 Local Enterprise Partnerships, including confirmation of overall funding allocations for each Local Enterprise Partnership and the projects to be funded. Over £3 billion was allocated to transport projects. Around £1.5 billion of the Department for Transport contribution from 2018/19 to 2020/21 has not yet been allocated.

There is an expectation in Growth Deals that the named projects will be delivered. But Local Enterprise Partnerships will have a degree of flexibility to switch money between projects in response to changing circumstances. Those with the stronger local governance and assurance arrangements will enjoy the greatest degrees of freedom.

The Government is committed to developing an overall monitoring and evaluation framework that will that enable Local Enterprise Partnerships progress in implementation to be measured. The Department for Transport will be closely involved in this work which is the responsibility of the Minister for Cities and the Constitution.

**Local vs National**

Recommendation 4. We are also recommend that the Department demonstrates how it will balance strategic oversight over spending and locally determined priorities. It is essential that strategic development is not overlooked simply on the basis that it does not immediately benefit a LEP or local authority. In particular, the DfT must clarify whether or not it will be prepared to challenge LEPs if they have not prioritised port access or other nationally significant, but locally delivered, transport schemes.

The investment plans in the 39 Growth Deals announced on 7 July 2014 have been driven primarily by the Local Enterprise Partnerships’ own priorities, shaped by discussions with Government and our assessment of value for money, delivery and risk. Many Local

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3 Department for Transport, Local Sustainable Transport Fund -Guidance on Applications for Revenue Funding in 2015/16, paragraph 2.
Enterprise Partnerships have prioritised investment in projects that have an impact beyond the Local Enterprise Partnerships’ immediate area, including port and airport access schemes. The Government is confident that the Growth Deals process does not preclude such schemes being prioritised and will continue to work closely with Local Enterprise Partnerships to ensure this remains the case.

In addition schemes that improve access to ports and international gateways will often be funded through national road and rail investment programmes, for example the Highways Agency’s Route Strategies and Road Investment Strategy.

**Monitoring and Improvement**

 Recommendation 5. Despite these challenges, it is important for local authorities and businesses for the new system to get underway and for there to be a period of stability in how local major schemes are funded. Continual churn and uncertainty helps no-one. However, the new arrangements must be reviewed well before the end of the next Parliament to ensure that they are efficient and effective in providing funding for the most urgent transport priorities.

The Government agrees that stability is important and recognises the forward certainty required for planning major capital investment. The Growth Deal announcement has provided Local Enterprise Partnerships with funding allocations of up to 6 years in order to provide such certainty and we are confident that it is a system that can endure and develop. The Government agrees that the arrangements should be reviewed to ensure they are delivering effectively.