



CABINET – 26 MARCH 2024

NETWORK NORTH FUNDING AND THE LOCAL TRANSPORT FUND

REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT

PART A

Purpose of the Report

1. The purpose of this report is to provide the Cabinet with an update on the most recent Network North funding announcements and seek approval to use funding allocated to Advanced Design/Match Funding in the approved Medium Term Financial Strategy (MTFS) to develop a multi-year Local Transport Fund programme, which is required to be submitted to the Department for Transport (DfT) by the end of this calendar year.

Recommendations

2. It is recommended that:
 - a) This latest substantial additional funding announced as the Local Transport Fund under the Network North plan be welcomed and noted;
 - b) The Director of Environment and Transport, following consultation with the Cabinet Lead Member, be authorised to carry out relevant consultation and engagement required to support the development of the Local Transport Fund programme;
 - c) The Director of Environment and Transport, in consultation with the Director of Corporate Resources, be authorised to accelerate £1.2m funding currently allocated for 2025/26 to Advanced Design/Match Funding in the approved Medium Term Financial Strategy (MTFS) to fund the development of the Local Transport Fund programme, in line with the principles set out in paragraphs 37-39;
 - d) A further report be submitted to the Cabinet for approval in November 2024, presenting the proposed Local Transport Fund programme covering the 2025/26 and 2026/27 financial years, prior to submission to the Department for Transport.

Reasons for Recommendation

3. Developing the Local Transport Fund programme will require considerable additional staff resource to develop a programme of works to be submitted to the DfT and to undertake the development and technical design ready for delivery, starting in 2025.
4. Delegation to the Directors will allow the programme to be developed in line with the yet to be published DfT guidance.
5. The DfT requires local authorities to demonstrate local political support for the schemes and interventions included in the Local Transport Fund programme alongside section 151 officer sign-off. Authorities in receipt of funding are also required to publish plans for the additional work that is delivered, and to report regularly on delivery progress.

Timetable for Decisions (including Scrutiny)

6. It is intended that reports regarding the content of the Local Transport Fund programme covering the 2025/26 and 2026/27 financial years and setting out the development of future years' programmes will be submitted to the Highways and Transport Overview and Scrutiny Committee and the Cabinet in November 2024.

Policy Framework and Previous Decisions

7. The Highways and Transportation Capital Programme and Works Programme are rolling financial and business plans that are updated annually; the current Capital Programme and Works Programme for 2024/25 are the subject of a separate report for consideration by the Cabinet at this meeting. The Local Transport Fund programme will represent a considerable increase in the size of the Capital Programme from 2025/26 onwards, although it is expected that the bulk of the additional funding will come in the later years of the funding period.
8. The Local Transport Fund programme 2025/26 - 2026/27 will be developed to align with the aims and objectives of the Environment and Transport Department's key plans and strategies which underpin the Council's Strategic Plan delivery. These include:
 - a) Leicestershire Local Transport Plan 3 2011 - 2026 – adopted by the County Council in March 2011 - and the emerging Local Transport Plan 4 2026 - 2040.
 - b) Highways Asset Management Policy and the Highways Asset Management Strategy – approved by the Cabinet in June 2017 (updated in December 2020 following consultation with the Cabinet Lead Member).
 - c) Highway Infrastructure Asset Management Plan – approved by the Cabinet in September 2017 (updated in October 2019 following consultation with the Cabinet Lead Member and subsequently in March

2023 to ensure that it reflected the Council's latest Strategic Plan outcomes).

- d) Leicester and Leicestershire Strategic Growth Plan – approved by the Cabinet in November 2018.
- e) Environment Strategy and Action Plan – approved by the County Council on 8 July 2020.
- f) Leicester and Leicestershire Strategic Transport Priorities - approved by the Cabinet on 20 November 2020.
- g) Network Management Policy, Strategy and Plan - approved by the Cabinet on 15 December 2020.
- h) Cycling and Walking Strategy – approved by the Cabinet on 20 July 2021.
- i) Various area specific strategies, including the Interim Melton Mowbray Transport Strategy and Interim Coalville Transport Strategy, approved by the Cabinet on 20 July 2021 and 17 September 2021 respectively.
- j) Net Zero Leicestershire Strategy and Action Plan approved by the County Council on 7 December 2022.
- k) Leicestershire County Council's Strategic Plan 2022 – 2026 (approved by the County Council in May 2022) outlines the Council's long-term vision for the organisation, as well as for the people and place of Leicestershire. As the effective functioning of Leicestershire's transport system is vital to day-to-day life and supporting the area's future population and economic growth, the Local Transport Fund programme will, at least partially, contribute to supporting all of the Strategic Plan's five outcomes, in particular, the 'Clean, green future' and 'Strong Economy, Transport and Infrastructure' outcomes, for example, in seeking to improve provision for active travel and maintaining and improving the highway network to seek to reduce the impact of traffic. It must be noted that the outcomes represent long-term aspirations for Leicestershire which may not be achieved in full during the four-year course of the Strategic Plan.
- l) The MTFS 2024/25 – 2027/28, approved by the County Council on 21 February 2024, is central to identifying the Council's financial capacity to deliver its vision and strategic priorities, and this requires a balance to be struck between the need to support the delivery of the vision with the need to maintain a sustainable financial position. This balance has become extremely difficult in recent years given the Council's financial position and a need to continue to reduce the net cost base.

Resource Implications

9. Balancing the budget whilst maintaining essential services is a continued challenge for the Council. The MTFS forecasts a balanced budget for next year

only, after assuming the use of earmarked reserves to help meet the currently projected gap. For the following three years, budgets are in deficit. Reserves will need to be set aside to ensure that the Council has sufficient time to formulate and deliver savings and suppress service growth.

10. Against this backdrop, the Environment and Transport Capital Programme 2024/25 - 2027/28 is already one of the largest planned programmes ever to be delivered by the Council. The Network North funding will increase this beyond any existing pipeline and whilst it presents a welcomed and exciting opportunity for investment in local priorities, the funding will have a number of inherent risks as listed below.
11. The Network North funding is made up of three elements:
 - a) Bus funding – Bus Service Improvement Plan (BSIP+) - revenue funding;
 - b) Road Resurfacing Fund for highway maintenance – capital funding; and
 - c) The Local Transport Fund for general highway and transport improvements – capital funding.
12. BSIP+ and resurfacing funding were announced late in 2023. The Local Transport Fund was announced in late February 2024 as the third Network North funding stream. The Local Transport Fund is capital funding with a small percentage of revenue allocated to support delivery of the programme. Developing and delivering the Local Transport Fund programme will be resource intensive, both in staff and financial terms. There will be a need to increase staff resource to develop and manage the programme and put in place additional internal and external delivery teams and contracts. The delivery of a larger Capital Programme will need to build on the existing departmental structure and this will make further revenue savings more challenging. A full assessment of risks will be reported to the Cabinet in the autumn prior to submission of the delivery plan to the DfT.
13. Additionally, like many sectors of the economy, skill shortages and/or the inability to retain the necessary skills, is likely to impact on the delivery of the Local Transport Fund programme and it will be necessary to find innovative ways to develop existing and attract new staff. The implications of these challenges are the risk of delays on programme delivery and cost escalation as market prices increase.
14. In advance of receiving the Local Transport Fund grant, funding allocated in the approved MTFs for Advanced Design/Match Funding can be used to fund the increase in staff resources needed to develop the initial two-year programme and prepare for delivery in the 2025/26 financial year. This will require an advancement of £1.2m of the funding provision made available for 2025/26.
15. The Director of Corporate Resources and the Director of Law and Governance have been consulted on the content of this report.

Circulation under the Local Issues Alert Procedure

This report will be circulated to all Members.

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PART B

Background

16. Since the announcement of the cancellation of HS2 beyond Birmingham and the reallocation of funds to the Midlands and the North under the umbrella of the Network North plan, there have been a number of funding streams announced with varying degrees of detail. At a regional level, the Government committed to delivering the Midlands Rail Hub by increasing investment to £1.75bn to improve journey times, capacity, and frequency of services across the East and West Midlands.
17. At a local level, highways and transport authorities have also been awarded a number of additional funds. A key principle underpinning the Network North plan has been additionality, meaning that funding awarded as part of Network North should be additional to existing resources to ensure that the benefits are realised within the North and Midlands regions.
18. A summary of these funding sources is set out in the table below.

Table 1: Summary of funding sources

Funding Source	Committed Grant / spend period	Indicative Grant / spend period	Intended use (including capital or revenue)	Average annual Uplift*	Notes
BSIP+	£7.63m 2023/24 to 2024/25	TBC 2025/26 to 2028/29	Revenue bus service support	Average £3.815m per annum	Announced October 2023
Road Resurfacing Fund	£4.516m 2023/24 to 2024/25	£126m 2025/26 to 2033/34	Capital highway asset maintenance	Average £14m per annum but backloaded with only £2.3m confirmed p.a. for the first two years	Announced October 2023
Local Transport Fund	No committed funding to date	£238m 2025/26 to 2031/32	Capital improvements to the transport network	Average £34m per annum but likely to be backloaded	Announced February 2024

Bus Service Improvement Plan (BSIP+) and Network North Public Transport Funding

19. In December 2023, the Cabinet approved the proposed approach to spending BSIP+ and Network North Public Transport funding. This revenue-based grant funding consists of two tranches of £1.79m (the first was received in October 2023, with the second due in July 2024 following the refresh of the Council's

BSIP) and £4.05m of Network North Public Transport funding (this is also due in July 2024 following the BSIP refresh. The amount assumes the maximum allocation is awarded).

20. The focus of this funding is to improve passenger transport by delivering the best overall outcomes in growing long-term patronage, revenues and therefore maintaining bus service levels and providing essential social and economic connectivity for local communities.
21. The approved approach set out in the report considered by the Cabinet in December 2023 included:
 - a) A complete refresh of the BSIP;
 - b) Assisting operators to stabilise and strengthen the commercial network;
 - c) Working with operators through the Council's Enhanced Partnership to review and redesign the passenger transport network (both commercial and supported) across Leicestershire, based around providing more direct, attractive routes by bus and making better use of demand responsive transport models such as the Council's digital demand responsive Fox Connect service; and
 - d) An array of studies/initiatives aimed at encouraging and increasing passenger transport use across Leicestershire such as youth fare discounts, better interchange information, mobility hubs etc.
22. A further four-year funding announcement is anticipated in the near future, and this is expected to be a mix of capital and revenue, which could provide an opportunity to carry out improvement schemes that may not be eligible under the current BSIP+ and Network North Public Transport funding terms. The exact funding profile and mix is not yet known.
23. Given the previous pressure on revenue funding, a number of the activities are entirely additional to the usual level of work undertaken by the Department and the BSIP funding represents a substantial increase in work over the 2024/25 financial year and likely beyond, subject to the confirmation of further funding.

Road Resurfacing Fund

24. Under the Network North plan the Council has received an additional £2.258m of funding in 2023/24 from the Road Resurfacing Fund for local highways maintenance, particularly for the resurfacing of carriageways, cycleways, and footways to prevent potholes and other road defects from occurring. It has been confirmed that the Council will receive the same level of funding in 2024/25. This funding is already built into the Capital Programme. The DfT has announced that the total minimum additional funding that the Council will receive over the 11-year period from 2023/24 to 2033/34 will be £131m; however, the amount of money in each of the future years has yet to be announced, although is likely to be backloaded, meaning larger allocations will be provided later in the funding period.

25. This substantial increase in funding will allow long-term maintenance programmes to be carried out on carriageways, cycleways and footways to improve the highway network condition, as well as tackling other asset management priorities, such as keeping local bridges and other highway structures open and safe, and carrying out replacement programmes for drainage assets.
26. The Government expects the entirety of the maintenance funding unlocked from the Network North plan to be truly additional and it is expected that local authorities will not reallocate existing highway maintenance budgets in light of this new funding. If the DfT considers that this funding was not invested in additional highways maintenance activity, and that it did not lead to an overall increase in authorities' highway maintenance expenditure or planned expenditure, it reserves the right to reduce or amend future planned grants to the local authorities – for highways maintenance and/or other funding streams.
27. To ensure that the funding delivers both a transformational change in the condition of local highway networks, and that there is transparency and a degree of public scrutiny over how it is spent, the DfT will also require local authorities in receipt of funding to publish plans for the additional work that is delivered, and to report regularly on delivery progress. The Road Resurfacing Fund usage in Leicestershire for 2023/24 and 2024/25 is shown in the tables below. More detail on how the funding is being spent is appended to this report.

Table 2: Road Resurfacing Fund Programme budget allocations in 2023/24

Transport Asset Management	Budget
Surface dressing	£237,000
Reactive repairs (potholes and defects)	£416,000
Pre-surface dressing patching	£1,605,000
TOTAL	£2,258,000

Table 3: Road Resurfacing Fund Programme budget allocations in 2024/25

Transport Asset Management	Budget
Restorative	£1,158,000
Reactive repairs (potholes and defects) Machine Lay Patching Surface dressing pre-patching	
Preventative	£600,000
Surface Dressing	
Capital Schemes and Design	£500,000
Capital schemes – Resurfacing	
TOTAL	£2,258,000

28. In anticipation of the increased funding from the Road Resurfacing Fund from April 2025, maintenance programmes are being developed for all highway assets to ensure work is delivered as efficiently as possible, taking advantage of cost savings that can be achieved by delivering work in packages around activity type or geographical area. It will also be essential that any maintenance work is delivered in parallel to improvement schemes funded from the Local Transport Fund. Integrated programmes of work will deliver the most benefits for communities whilst achieving best value.
29. Delivery of the Road Resurfacing Fund and Local Transport Fund programmes in parallel will require appropriate resources to design in advance, deliver the works and support delivery with new contracts, suppliers, purchasing and governance. This preparation work needs to start in the 2024/25 financial year. The multi-year funding commitment gives the Council the opportunity to recruit a significant proportion of permanent staff to deliver these works, ensuring the Council obtains value for money from its resources but also is able to support succession planning for its ageing workforce.

Local Transport Fund

30. On 26 February 2024, the Government published the Local Transport Fund allocations for 2025 - 2032. This funding is additional to the Integrated Transport Block allocation that Local Transport Authorities currently receive and has been allocated by formula, based on the population, and levelling-up need of each Local Transport Authority area. This additional funding will be predominantly capital but will include a small resource element to ensure Local Transport Authorities can deliver their plans. The Local Transport Fund will be made available from April 2025 and requires local authorities to develop and publish a 2-year delivery plan by the end of 2024 calendar year in advance of the funding becoming available.
31. The funding covers the period from 2025/26 until 2031/32 and has been provided to:
 - a) Drive better connectivity within local towns, suburbs and cities;
 - b) Drive better connectivity between local towns and cities; and
 - c) Improve everyday local journeys for people.
32. The Council has been allocated a total of £238m to cover seven years from 2025, although no annual amounts have been specified to date. However, the DfT has been clear that the funding will be backloaded. In recognition of this, the DfT will require a delivery plan for the first two years of the programme by the end of the 2024 calendar year, with high level plans for the remaining five years. More detailed plans for the later years of the fund will be required before 2027. This will allow the alignment of the Local Transport Plan 4 with that long-term programme. Future allocations may also be dependent on the outcome of the next Spending Review.

33. The DfT has advised that it anticipates that annual allocations for this fund should be published by the end of March 2024, along with guidance to ensure that local authorities can make the most of this funding and be ready to deliver improvements with the Local Transport Fund from April 2025.
34. The Local Transport Fund can be used to fund a wide range of local transport measures and it is for local authorities to determine their transport priorities and identify projects that will deliver on these. The funding is capital so the types of interventions could include:
- a) Local roads improvements e.g. improved junctions, new roads, congestion measures, better street lighting.
 - b) Active travel infrastructure e.g. cycle facilities, cycle routes, improved footways.
 - c) Transport hubs e.g. refurbished bus or rail stations or new facilities such as toilets, cycle lockers, lifts.
 - d) Accessibility projects e.g. dropped kerbs, footway widening, tactile paving.
 - e) Electric Vehicles charging e.g. additional chargepoint infrastructure for cars and taxis.
 - f) Sustainable drainage schemes e.g. resilience and adaptation measures to combat climate change, incorporating flood management schemes, structural repair.
 - g) Bus infrastructure e.g. bus priority lanes, new Zero Emission Buses and their chargepoints, inclusive bus stops/stations, provision for Real Time Information; however, it does not include bus services as this requires resource funding.
 - h) Highways maintenance (noting that the Local Transport Fund is in addition to the £8.3bn uplift in local highways funding announced as part of the Network North plan).
35. Additionally, the Local Transport Fund can be used to support wider local transport priorities including:
- a) Helping to meet cost pressures arising from existing transport projects to support the completion of road schemes and other projects, although this will inevitably mean less money for transformative new projects.
 - b) Feasibility studies for future capital highway projects.
 - c) Helping to unlock schemes like railway station enhancements or major works on the strategic road network, but only where these schemes are such a priority locally that they justify using up a large amount of the available funding. The DfT will need to approve all schemes which impact the national networks on a case-by-case basis.

Next Steps

36. The development and delivery of the various programmes arising from the Network North plan will require substantial investment of time and resources. Therefore, it is proposed that the development of the Local Transport Fund programme is undertaken immediately in order to make the best use of the

funding and prepare for 2025 delivery.

37. Advancing the programme development during the 2024/25 financial year is dependent on an acceleration of £1.2m from the 2025/26 Advanced Design/Match Funding MTFS allocation as set out in the 2024-28 MTFS. The Local Transport Funding grant will reimburse this cost when it commences in April 2025.
38. It is proposed to develop the programme, prepare schemes and undertake the necessary engagement and informal consultation with stakeholders, including all local Members of Parliament, between March 2024 and October 2024. This will inform a further report to the Cabinet in autumn 2024 prior to submission of the programme to the DfT (subject to the Cabinet's approval).
39. In order to allow the Director of Environment and Transport to proceed, it is proposed that the following principles will guide the process:
 - a) Alignment with the emerging Local Transport Plan 4 for the first two years.
 - b) Evidence-based assessment of local needs across a number of areas.
 - c) Reflecting the lessons learned from recent Active Travel England and Bus Service Improvement bids and ensuring that all modes are considered in delivering schemes.
 - d) Maximising existing funding sources such as developer funding.
 - e) Consideration of climate adaptation and resilience.
 - f) Realistic delivery to provide transparency for the public (this may mean programmes of smaller interventions delivered over a number of years and limiting the number of 'major' schemes planned).
 - g) Identifying and managing risks associated with a large capital programme delivery.
 - h) Recognition that the programme will build over time with less funding in the first two years.
 - i) Including the consideration of appropriate resources, not just within the Department, but also support services such as finance, procurement etc.
 - j) Commitment to building on and developing the Department's internal staff to deliver the programme, where possible, rather than rely on agency and consultant resource.

Consultation

40. The plan will be consulted on with Members and key stakeholders and will require support from the local Members of Parliament.
41. This plan will be informed by the public consultation on the principles of the Local Transport Plan 4 scheduled for late spring/early summer 2024.
42. Where appropriate, individual schemes and projects will continue to be subject to further consultation with Local Members and the public, and reports will be presented to the appropriate Committees.

Conclusion

43. The Network North funding awarded to the Council represents a real opportunity for a transformational level of investment into the County's highways and transport network, improving outcomes for the residents and businesses of Leicestershire. In order to make the best use of the funding, work is needed immediately to develop a programme for delivery in the financial year 2025/26 onwards. Approval of the programme by the Cabinet will be sought in autumn 2024.

Equality Implications

44. There are no equality implications arising directly from the recommendations in this report.
45. Equality Impact Assessments will be carried out in relation to work undertaken on individual projects and programmes contained within the future Local Transport Fund programme, when appropriate.

Human Rights Implications

46. There are no human rights implications arising directly from the recommendations in this report.
47. Human Rights Assessments will be carried out in relation to work undertaken on individual projects and programmes contained within the future Local Transport Fund programme, when appropriate.

Other Implications and Impact Assessments

48. Whilst there are no implications arising directly from the recommendation in this report, the programme itself will have the potential for both positive and negative impacts across health, equality and environmental issues. Therefore, work will be undertaken with colleagues across the Authority in developing the programme and identified issues reported to the Cabinet.

Background Papers

Medium Term Financial Strategy 2024/25 – 2027/28, Report to the County Council on 21 February 2024:

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=134&MeetingId=7305>
(item 41a)

Environment and Transport 2024/25 Highways and Transportation Capital Programme and Works Programme, Report to the Highways and Transport Overview and Scrutiny Committee on 7 March 2024:

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1293&MIId=7456&Ver=4>
(item 8)

Improving Passenger Transport Through Bus Service Improvement Plan Plus And Network North Funding, Report to the Cabinet 19 December 2023:

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7081&Ver=4>

(item 304)

Network North Plan, Department for Transport, 2023:

<https://www.gov.uk/government/publications/network-north>

Appendix

Network North Roads Resurfacing Fund delivery plan 2023-2025

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