

SCRUTINY COMMISSION - 27 FEBRUARY 2013**LOCAL TRANSPORT BODIES AND THE DEVOLUTION OF MAJOR
TRANSPORT SCHEME FUNDING****REPORT OF THE DIRECTOR OF ENVIRONMENT AND TRANSPORT****Purpose of Note**

1. To advise the Scrutiny Commission of progress made in setting up a Local Transport Body for Leicester and Leicestershire as a consequence of the devolution of major transport scheme funding to local highway authorities.

Background

2. The Department for Transport (DfT) has announced its firm intention to devolve funding for major transport schemes to Local Transport Bodies (LTBs) from 2015. LTBs will be voluntary partnerships between Local Authorities, Local Enterprise Partnerships and maybe other organisations.
3. Their primary role will be to decide which investments should be prioritised, to review and approve individual business cases for investment, and to ensure effective delivery of the programme.
4. The DfT will no longer have a role in the selection and approval of individual schemes. However it will need to ensure that the devolved system provides appropriate safeguards for the use of public funds and is able to deliver value for money.
5. The DfT needs to ensure that LTBs are fit for purpose and have the necessary arrangements in place to ensure value for money and sound decision making. They require all LTBs to put in place assurance frameworks, setting out their governance and working arrangements, and to submit them to the DfT for approval by the end of February 2013.
6. The DfT published guidance on the setting up of LTBs in November 2012 and officers have been working with officers of the City Council to draft the assurance framework for submission. It is intended that, wherever possible, existing governance and working arrangements be utilised for the LTB.

7. Furthermore, the DfT requires a prioritised list of schemes for delivery between 2015 and 2019 be submitted for approval by July 2013. Work has begun with the City Council on a long list of schemes and a system for prioritising them such that a successful major scheme business case can be submitted to the DfT in the future to release the funding.
8. The DfT has indicated that the devolved funding for the whole of the Leicester and Leicestershire area for the 4 year period from 2015 to 2019 will be in the order of £24m and based around population figures. The current cost of the Loughborough Major Transport Scheme is £17m, and it should be recognised that only a small number of schemes will be delivered through this funding stream.

Key issues to be Covered in the Assurance Framework for Approval by DfT

Purpose, Structure and Operating Principles

9.
 - (i) Membership, Conflicts of Interest, Status and Role of Accountable Body, Audit and Scrutiny, Support and Administration Arrangements, Working Arrangements and Meeting Frequency, and Transparency and Local Engagement.
 - (ii) It is intended that there will be three voting members of the LTB. The City Council, the County Council and the LLEP. In addition, one District Council will be able to advise on behalf of all the District Councils with observer non-voting status.
 - (iii) Leicester City Council will be the accountable body as it already performs this function for the LLEP. It will ensure that the LTB conform with legal requirements, that the Assurance Framework is adhered to, and will maintain the records and hold all LTB documents.
 - (iv) Independent local audits will be carried out by a qualified auditor and reports of these audits will be submitted to DfT. The DfT will also carry out its own periodic assessments of the quality of appraisal and scrutiny to ensure that the LTB is delivering value for money.
 - (v) Leicester City Council will provide administrative, legal and financial support to the LTB.
 - (vi) The work of the LTB will be supported by a Leicester and Leicestershire Transport Executive Group consisting of senior officers from the City Council, the County Council and the LLEP. Advice will also be provided by the existing Leicester and Leicestershire Transport Group.

Prioritisation

10.

- (i) This will clearly set out how the LTB will prioritise and develop a scheme programme for delivery in the period 2015 to 2019 for submission to DfT by July 2013 for approval. Although individual schemes will no longer require DfT approval, the prioritised list will provide the DfT with important information on the overall deliverability of the programme and will form part of the evidence base for future spending rounds.
- (ii) At this stage it is not expected that any scheme will have a fully developed and completed business case or WebTAG appraisal, but this will need to be finalised by promoters before any funding will be released.
- (iii) The County Council is currently developing an objective methodology with the City Council based on the DfT's Early Assessment and Sifting Tool (EAST). This will need to cover value for money, deliverability, environmental and social/distributional impact.
- (iv) The section will also need to indicate whether there will be a locally determined minimum cost threshold or how the LTB will guard against the funding being spread too thinly to be effective. It will also need to state whether the LTB intends to require a mandatory local contribution or match funding and set out the rules that will operate.

Programme Management and Investment Decisions

11.

- (i) Promoters will be responsible for developing scheme proposals and producing business cases. The LTB will be responsible for assessing the business case and deciding whether or not to provide funding for the scheme.
- (ii) The LLTB will appoint an Expert Organisation - with appropriate experience in assessing Major Scheme Business cases developed under WebTAG guidance – to assess business cases at the Programme Entry stage. This expert organisation will be separate from the promoter. The Expert Organisation will nominate a named individual who will be responsible for overseeing, and signing off, the business case assessment.

12.

- (i) The LLTB will operate a five stage approval process:-
 - Strategic Business Case – This initial stage will advise the LLTB of potential future schemes. At this stage the strategic outline business

case must include a clear statement of objectives. A broad overview of the scope and outline cost of proposals must be included. Proposals must meet strategic policy objectives.

- Outline Business Case – The proposal should now be in outline design, and a draft programme and risk assessment with an appropriate action plan for red risks.
 - Programme Entry - It is at this stage a full detailed business case, following WebTAG must be submitted. This is not a guarantee of funding, or its timing, but is intended to give local authority's the confidence to proceed with the development of the scheme, and in particular to apply for necessary statutory powers.
 - Conditional Approval - This is an intermediate stage that normally occurs following the granting of statutory powers, but before a firm price for the works is established.
 - Full Approval – this is only given once firm prices for the works are available, normally when tendering is complete.
- (ii) The overwhelming majority of local major schemes funded in recent years were assessed by the DfT as offering at least “high” value for money. (Benefit cost ratio is between 2.0 and 4.0). This criterion will continue for the LTB.
- (iii) Prior to Programme Entry approval, but after satisfactory Business Case Assessment, promoters must publish their Major Scheme Business Case on their own website. Appropriate local publicity must be provided to ensure the public and other stakeholders are aware of this publication.
- (iv) This section will also cover Monitoring and Evaluation, Release of Funding and Risk Management.

Resource Implications

13. The preparation and submission of a major scheme business case costs in the order of £250,000. Scheme promoters will need to be make provision for these costs in their budgets.
14. Under the existing procedures major scheme preparation and submission is funded from the Environment and Transport Department's capital and revenue budgets. This will continue in the future for major schemes that the Council promotes.

Recommendations

That the contents of this report be noted, and that the Scrutiny Commission be informed of progress made with the prioritised list of schemes prior to submission to the DfT.

Background Papers

<https://www.gov.uk/government/publications/guidance-for-local-transport-bodies>

Circulation under the Local Issues Alert Procedure

None.

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Equal Opportunities Implications

None.