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| Transport Select Committee Inquiry |
| Local decision making on transport expenditure |
| Consultation response |
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# Introduction

* 1. ***pteg*** represents the six Passenger Transport Executives (PTEs) which between them serve more than eleven million people in Tyne and Wear, West Yorkshire, South Yorkshire, Greater Manchester, Merseyside and the West Midlands. Leicester and Nottingham City Councils, Bristol and the West of England, Transport for London and Strathclyde Partnership for Transport are associate members, though this response does not represent their views.

# Q1 What is the rationale for the Government’s proposals to devolve to a local level decision-making on transport expenditure? What are the advantages and disadvantages of the Government’s approach? Are there better models?

* 1. **The rationale** is that making decisions locally about local transport (national transport networks and policy should remain the job of national government) will be more effective than taking decisions by remote control from Whitehall, which lacks the local knowledge or the direct accountability for those decisions. The evidence that a devolved approach to local decision-making on transport is more effective is all around us. Transport in London has been transformed since powers over London's transport network were transferred from Whitehall to the Mayorality, with significant investment in giving London one of the best bus services in the world, Oyster ticketing, overhaul of the London Underground, transformation of mainline terminals, the creation of the London Overground, and significant investment in cycling. Other real world examples of the benefits of devolution include the transformation of the performance and passenger satisfaction levels on the Merseyrail Electrics rail network since control was transferred from DfT to Merseytravel (Merseyside PTE) in 2003, and the significantly higher levels of investment in Scotland's rail network (including new trains, line re-openings and electrification) since responsibility for Scotrail was transferred to the Scottish Executive.
	2. These transformations have occurred because devolved authorities consistently give local transport investment more priority than was the case with national government because locally accountable politicians see how important transport is to achieving wider economic, environmental and social goals. They are also held directly accountable to local electorates for the quality and performance of local transport. The positive experience of devolution is not restricted to the UK. Elsewhere in Europe cities and regions have far more influence over their local transport networks in terms of planning, managing, developing and running those networks than is the case in England outside London. The ability of French Mayors to stand on a mandate of delivering a tram in their first five year term is one example of why so many more cities in France are benefitting from modern urban transit systems than is the case in Britain.
	3. We do not see any over-riding **disadvantages** in moving arrangements in England to the next stage of devolution, especially given that city regions and LEP areas in some cases represent economies larger than Wales or Northern Ireland. One of the key risks associated with this change that is most frequently cited is the willingness of Government to devolve the necessary levels of funding to enable effective devolution. Local bodies can only achieve the opportunities on offer - and be expected to bear the responsibility for performance and outcomes - if funds are matched to powers. We believe that Government understands this in principle, through the advice it has received from Lord Heseltine in particular. However, the level of funding that will be made available through mechanisms such as the Local Growth Fund is only a small proportion of that suggested in the Heseltine Review, and the Committee is encouraged to explore how this may be accelerated to maximise the future impact of devolution.
	4. In terms of other models, there is devolution or centralisation and various points between the two - there are no **alternative models** to being somewhere on the scale between the two.

## Q2. Do local bodies (including local authorities, local enterprise partnerships, passenger transport executives, integrated transport authorities and local transport boards) have the capacity to assess, prioritise and deliver local transport schemes? What would the optimum delivery body look like?

* 1. Responsibilities for local transport planning are complicated, and getting more complex, in England outside London (which is one reason why we produced a short and concise guide to how transport works outside London[[1]](#footnote-1)). However in the six largest urban conurbations outside London (Greater Manchester, South Yorkshire, West Yorkshire, Merseyside, Tyne and Wear and West Midlands) for many years there have been Passenger Transport Executives. These bodies have been responsible to Integrated Transport Authorities (and predecessor and successor bodies) made up of elected representatives. Their areas provide a generally good match with journey to work patterns, and the economic footprints of these conurbations, which between them serve eleven million people.
	2. Governance is changing in the city regions with most areas adopting the Combined Authority model to which PTEs will become either part of, or responsible to (the arrangements will vary in different areas). However, the principle holds that the strategic planning and oversight of transport in complex conurbations is best done at the city region level. PTEs (for simplicity we will describe PTEs and any successor bodies as PTEs) have the **scale and capacity to assess and prioritise local transport schemes in a way that meets clear criteria as well as democratic oversight**. A recent report for ***pteg*** by JMP sets out how this is done in more detail[[2]](#footnote-2).
	3. The **optimum body** depends on local circumstances (especially given the complex political, economic and transport geography of England outside London) however for strategic transport decisions (though not necessarily for all local transport decisions) it should be a reasonable fit with journey to work patterns and with functional local economies. It should have adequate capacity to be able to carry out its planning and oversight functions in an efficient and professional way and it should also have a clear element of democratic oversight. We believe that for the city regions, in the evolving role of the PTEs, these criteria have, and will be, met.
	4. There are challenges in two key areas. Firstly, PTEs lack sufficient powers and influence over the main forms of public transport. Secondly, as with the rest of local government, resource spending is being squeezed to such an extent that the capacity to plan and deliver capital schemes is being compromised.
	5. On the former there is a need for responsibilities for local rail networks to be devolved (as has already happened successfully in Scotland, on Merseyrail Electrics and on London Overground). Bus services (the main form of public transport outside London and the South East) are deregulated outside London which means that PTEs can only provide services where commercial services have not been provided. PTEs (and local government elsewhere outside London) have therefore very limited control over fares and service levels. There are powers in the Local Transport Act 2008 which strengthen the role of PTEs in a deregulated environment (and which are being deployed), and also powers to introduce the franchising of bus services (the same system that is used to provide bus services in London) which Nexus (Tyne and Wear PTE) has triggered. Having limited abilities to plan public transport sets the PTEs apart from TfL and counterparts for European cities.
	6. However, this could be changed if national government worked with the city regions in partnership and in a consistent way over a concerted period to devolve and enhance the powers that PTEs have over public transport and to crack the obstacles that stand in the way of providing integrated public transport for the city regions.
	7. In one area the DfT is doing this - through a joint programme of work on smart and integrated ticketing which is focussed primarily on the six PTE areas and three next largest urban areas (Bristol, Nottingham and Leicester). However this approach is not replicated for bus and rail where the DfT still tends to operate in silos and is reluctant to either properly 'let go' of local public transport provision or to move beyond a ‘one size fits all’ approach to devolution rather than move towards adopting different approaches which reflect the varied economic geography of England outside London and the capabilities and aspirations of the local transport authorities that serve it.

## Q3. What is the best way of dealing with major transport schemes that cross local authority boundaries or have wider regional impact?

* 1. As set out above, one of the obstacles to devolution of transport decision making in England outside London is its complex economic and social geography. The best way of dealing with cross boundary schemes, or schemes with major cross-boundary impacts, is therefore to some extent determined by local circumstances, however there are some factors to consider.
* different types of transport decisions may be best devolved to different tiers of sub-national governance. So for example decisions on local roads may be best dealt with at a relatively low level tier of local government. Other decisions - for example in a city region - on local public transport networks are best dealt with at the city region level. However, there are other issues that may best be dealt with at a higher tier - such as is proposed on a devolved Northern Rail service. The principle is to devolve where possible to the most appropriate level of governance for the nature of the decision to be taken.
* whatever arrangements are made for decision-making there will always be boundary issues as boundaries have to be drawn somewhere and there will still be journeys made across those boundaries. Although these boundary issues cannot be eliminated, they can be minimised if sensible and rational decisions are taken about devolving the right decisions to the right level of governance.
* if relatively low levels of local transport funding are devolved to small units of local government then there is a danger that no single area will have sufficient funding to build more expensive and significant schemes (where they are justified). This comes back to devolving to the appropriate tier of governance. Again the PTEs are an example of this as they are able to pool and prioritise expenditure across a meaningful area.

## Q4. How effectively do local bodies work with each other and with Government departments and national transport agencies?

* 1. In the city regions, the emerging model is for Combined Authorities (or District Leader-led bodies with similar characteristics) to determine the overall transport strategy; for them to delegate more detailed oversight and policy development to successor bodies of the Integrated Transport Authorities (made up of elected members); and for staff at the PTEs (or successor bodies) to implement these policies and deliver improvements on the ground. This emerging model builds on the strengths of the existing model whilst providing stronger and more cohesive leadership at the top.
	2. The PTEs work effectively together through the ***pteg*** network to share good practice, co-procure and make a collective case for better transport for their areas. By doing things once, rather than six times, the savings for each PTE are considerable. ***pteg*** is also now a wider professional network which brings together Nottingham, Leicester, Bristol and the West of England, Strathclyde and London. In terms of working with national government there is a good level of constructive contact between individual PTEs / ***pteg*** and the DfT but:
* progress on devolution is fitful, slow and when it does come usually has many strings attached. This is true of both this, and the previous Government;
* there is still too much of a silo approach within DfT (on bus and rail in particular) which means the benefits of an integrated approach to the devolution of local transport provision is not realised;
* the significant cross-sectoral benefits of investment in transport are not sufficiently recognised. For example buses get the workless to work, young people into education and training, older and disabled people out of isolation (with long term health impacts), patients to hospital appointments and provide links to new growth-promoting developments. Yet these hard benefits to other Government departments are not properly recognised by those departments and are not reflected in the way that buses are funded (indeed funding is in decline). Although there has been some progress made recently on cross-departmental work (for example the £1million Department of Health contribution to national government’s cycle ambition grants) there is a very long way to go.
	1. In terms of national agencies, there is good contact with key national bodies and agencies (like Network Rail, the Rail Delivery Group, Senior Traffic Commissioner) but again these bodies, perhaps unsurprisingly, are strongly focussed on the dynamics of their own industries and become somewhat producer-led as a result. The benefits that devolution can bring in terms of ensuring these industries deliver the best outcomes on local transport can become an afterthought as a result.

## Q5. Do the current funding streams for major local transport schemes meet the needs of local authorities? How do current funding streams compare with previous arrangements?

* 1. ***pteg*** has been concerned that local transport spending outside London has fared poorly when compared with the three other major areas of DfT funding (London, National Rail and National Roads). Indeed in the 2010 Spending Review capital spend on local transport was the biggest loser of the four categories of spending with, for example, the main form of funding for local small to medium transport capital investment (the Integrated Transport Block) halved[[3]](#footnote-3). Following concerted work by ***pteg*** to improve and articulate the evidence base, local transport spending outside London did much better in the 2013 Spending Review[[4]](#footnote-4).
	2. However the DfT (relative to other Government departments) has contributed a disproportionate amount of this enhanced funding to the Local Growth Fund. We do not therefore currently know how much of DfT's local transport capital budget will be spent on local transport because we do not know what the Local Growth Fund bids will be made up of, or the criteria for bidding. Plus given DfT made the largest contribution to the pot all other things being equal it’s unlikely that the relatively modest contributions from other Government departments will go to transport measures - more likely it will be the other way round.
	3. Resource spending is also a major concern. For transport in the PTE areas the vast majority of our resource budget (not including ring fenced rail funding from DfT) comes from constituent Districts, whose funding in turn comes from the CLG. The CLG cuts are also most severe in the areas we serve.[[5]](#footnote-5) Falling resource funding will have a major impact in particular on a) bus service provision[[6]](#footnote-6) and b) the ability of local transport authorities to bid for, and deliver, capital schemes. We are already aware of cases where local transport authorities are not bidding for DfT capital funding competitions due to no longer having the officers to do the work.
	4. We also note that there remains a substantial funding gap with London with HMT figures showing that the total public spend per head on transport in London is 2.3 times greater than the spend per head for the North of England and the West Midlands combined[[7]](#footnote-7).
	5. We further note that the Core Cities recent growth prospectus called for a dedicated funding stream for transport[[8]](#footnote-8). Given the scale of CLG resource funding reductions, the current disparate capital DfT funding streams, and the disproportionate contribution of DfT local transport funding to the Local Growth Fund, the case for a dedicated transport funding stream is something the Committee may wish to consider. Especially if such funding could give a degree of medium to long term certainty - given the timescales for delivering transport capital programmes or achieving behaviour change (such as increasing cycling).

## Q6 What impact will the devolution in 2015 of funding to Local Transport Bodies and the introduction of the Single Local Growth Fund have?

* 1. We deal with the impact of the Growth Fund in our response to Q5 above. Local Transport Bodies are one part of what is a complex environment for decision-making on local transport in the Metropolitan areas. Players include DfT, Highways Agency, the rail industry (in all its many post-privatisation manifestations), bus operators, local transport bodies, one or more mayors, PTEs, ITAs, Combined Authorities, one or more LEPs, District councils. In our areas it is the Combined Authority (and leader body with some similar characteristics in the West Midlands) that is the most significant development and will subsume the role of the Local Transport Bodies. The CA is significant on transport because unlike some of the other new entities (like Local Transport Bodies) it has democratic accountability, legal status, resources (via its constituent Districts and PTEs), and is a good fit with the way economies and transport networks work in the city regions.

## Q7 How can local authorities attract greater investment from the private sector for the delivery and maintenance of local transport infrastructure? What scope is there for the use of alternative funding streams?

* 1. There is scope to realise both private and alternative funding streams, and indeed it is devolution that will make this more likely to happen because local decision-makers are better placed than Whitehall to identify potential private sector partners as well as any new local funding streams that have a chance of being politically and electorally viable given local circumstances. Examples include the workplace parking levy in Nottingham and the Transport Funds in Greater Manchester and West Yorkshire.
	2. However, we note with concern that having made the West Yorkshire Transport Fund a centrepiece of the Leeds City Region City Deal, the CLG then went onto jeopardise the Fund through its proposals to include the council tax levy for the Fund within the wider 2% increase on council tax which would trigger a referendum. A levy increase is a key element of the West Yorkshire Transport Fund and the possibility of a referenda defeat effectively undermines what the Government had previously lauded.
	3. The main way in which the Government could enhance the potential for realising new funding streams for local transport is to recognise the major challenges there are in raising new funding (particularly if it involves new forms of local taxation to pay for transport) and thus seek to maximise the funding freedoms available, so that local government has a fighting chance of finding the particular form of funding that will work in their areas given local circumstances and politics.

## Q8 How clear are the lines of accountability for local decision making on transport expenditure?

* 1. Currently PTE decision-making is highly accountable. It is accountable to ITAs (made of representatives of District Councils) and their successor bodies, and to current and emerging city region governance entities (most notably the Combined Authorities). The DfT also holds PTEs to account through its assessment and evaluation requirements and processes for capital spending funding streams. We would argue that at present the DfT's organisational and technocratic hold over local transport decision-making in England outside London is over-riding the accountability of local transport decision making to the local electorate to too great a degree.
	2. Winston Churchill said that democracy is the worst form of government, other than all the others that have been tried, and of course, as the least-worst system decisions are sometimes made that might be questionable. But the overall record of the benefits of putting greater faith in local democratic accountability, over remote and technocratic control from the central state, is very strong as is demonstrated by: the vitality and quality of transport provision in cities across Europe, and closer to home in London; and by the record of rail devolution in Merseyside and Scotland.
1. [Transport Governance Outside London, pteg, May 2013](http://www.pteg.net/resources/types/briefings/transport-governance-outside-london-introduction) [↑](#footnote-ref-1)
2. [Delivering successful Local Transport - the City Region Experience, JMP, October 2013](http://www.pteg.net/resources/types/reports/delivering-successful-local-transport-city-region-experience) [↑](#footnote-ref-2)
3. [Transport Number Crunch, pteg, February 2013](http://www.pteg.net/resources/types/briefings/transport-number-crunch) [↑](#footnote-ref-3)
4. [HMT Spending Review Number Crunch, pteg, October 2013](http://www.pteg.net/resources/types/briefings/hmt-2013-spending-review-transport-number-crunch) [↑](#footnote-ref-4)
5. [Fair Future Growing Divide, SIGOMA, 2013](http://www.sigoma.gov.uk/Docs/sigomareports/A%20Fair%20Future%20or%20a%20Growing%20Divide_SIGOMA%20Updated%20Figures.pdf) [↑](#footnote-ref-5)
6. [Buses in Crisis, Campaign for Better Transport, December 2013](http://www.bettertransport.org.uk/files/Buses_In_Crisis_Report_AW_PDF_09.12.13.pdf) [↑](#footnote-ref-6)
7. [Funding Gap report, pteg, December 2013](http://www.pteg.net/resources/types/briefings/pteg-funding-gap-report) [↑](#footnote-ref-7)
8. [Growth Prospectus, Core Cities, November 2013](http://www.corecities.com/news-events/launch-core-cities-growth-prospectus) [↑](#footnote-ref-8)