



Strategic Transport Forum

5th February 2021

Agenda Item 4: Spending Review

Recommendation:

It is recommended that the meeting:

a) Agrees a three-pronged approach to the Spending Review submission:

- **To secure the funding required to support partners in accelerating the delivery of known priorities**
- **To secure the funding required to develop schemes identified in the Investment Pipeline to make them 'oven ready'**
- **To secure the funding to increase regional capacity and capability in support of partners developing and delivering investment priorities**

b) Provides a steer on the emerging proposition for the Spending Review, identifying areas of particular priority

1. Context

- 1.1. On 25th November 2020 the Chancellor of the Exchequer presented a single year settlement for 2021/22. This differed from the original plan to have a longer-term Spending Review, but was an understandable position given the continued uncertainty caused by the COVID-19 pandemic.
- 1.2. It is now widely anticipated that this year will see a 3-year Spending Review. The Spending Review will allow the Government to put in place the medium-term financial plans that it was not able to commit to in autumn 2020.
- 1.3. Forum Members will be cognisant of the significance of this year's Spending Review: against a backdrop of significant pressure on public sector finances, the requirement to and impact of building back better is never more important.
- 1.4. As a net contributor to the Exchequer, investment in infrastructure to support and accelerate the region's economic recovery, and support the delivery of planned housing growth, will be fundamental to support the UK economy as a whole.
- 1.5. However, within the announcements made in autumn 2020 the Government set out its commitment to prioritise investment away from London and the South East. The cessation of work on the development of Crossrail 2 is arguably an example of this emphasis having implications for the Heartland.
- 1.6. Notwithstanding the identification of the Arc as a national economic priority we cannot assume that the case for strategic investments has necessarily been made and the funding secured. It is clear that the forthcoming Spending Review will be particularly tough and as the STB we need to use the recently published Transport Strategy – and its underpinning evidence base – to make the strongest possible case for the investment required to enable delivery in the short to medium term to be accelerated.

2. Context

- 2.1. The purpose of this paper is to seek initial views from the Forum on the proposed approach to preparing the Spending Review submission.
- 2.2. It builds upon the work undertaken in summer 2020 ahead of last autumn's Spending Review and is firmly focused on what is required to make a difference over the next 3-year period.
- 2.3. In this context it is proposed that the focus for the submission should be:
 - Securing the funding required to support partners in accelerating the delivery of known priorities
 - Securing the funding required to develop schemes identified in the Investment Pipeline to make them 'oven ready'
 - Securing the funding to increase regional capacity and capability in support of partners developing and delivering investment priorities
- 2.4. The Transport Strategy, with its associated Investment Pipeline, provides the Heartland with the evidence-led approach to the identification of specific priorities for the submission.
- 2.5. The Forum is invited to comment on the proposed approach and the initial list of priorities for the Spending Review.
- 2.6. The EEH Business Unit will work with individual partners to develop the detail of the submission, and in doing so look to highlight linkages with investment priorities being promoted by individual partners as Spending Review priorities. This approach will improve the alignment of investment in strategic and local infrastructure to the benefit of residents, communities and businesses more generally.
- 2.7. The National Infrastructure Strategy – published in autumn 2020 – highlighted the need for the UK to increase the overall investment made in our infrastructure. The fact that our Transport Strategy is grounded in the need to support the delivery of planned growth provides us with the evidence base to demonstrate how the investment sought will help deliver quantifiable outcomes.
- 2.8. The Forum will be invited to consider the detail of the proposed submission at future meetings, ahead of seeking approval for the submission of the final document.

Martin Tugwell
Programme Director

February 2021

Spending Review Submission 2021 Draft Framework – for consideration and comment

1. Overview

- 1.1. It is proposed that the focus of the submission should be accelerating delivery of infrastructure. The work underpinning the development of the Transport Strategy has highlighted the extent to which the implications of planned growth have not been addressed by the necessary investment in infrastructure.
- 1.2. Accelerating delivery of known infrastructure priorities achieves the triple-whammy of:
 - Infrastructure costs being managed and avoidable costs (such as those incurred as a result of inflation and/or duplication of work) are kept to a minimum
 - Economic benefits arising from the delivery of required investment being realised sooner, to the benefit of the Heartland and the UK economy as a whole
 - Infrastructure delivery enabling progress to be made on realising the potential to achieve change in travel patterns that support the requirement to make real progress towards net zero carbon emissions
- 1.3. In parallel there is a need for us to secure the investment (largely revenue funding) that will increase the capacity and capability required to plan, develop and delivery infrastructure proposals. This will require investment in the resources available to individual partners, supplemented by investment in specialist skills held regionally upon which individual partners are able to draw on as and when.
- 1.4. In addition, there is a need for us to secure additional funding (again, largely revenue funding) to cover the cost of planning and developing the detail of infrastructure proposals. This investment in the development of the Investment Pipeline will see the Heartland have a viable package of 'oven ready' proposals into which Government (and potentially other parties) can then chose to invest.

2. Accelerating Decision Making:

- 2.1. Whilst it is proposed that the focus of our submission will be in measures that support our partners bring forward and deliver known investment priorities, we should also take the opportunity to identify the need for Whitehall processes to be simplified. Not only will this help accelerate delivery on the ground, it will reduce the cost of securing the permissions required from within Government in order enable delivery to take place. Reducing the cost of scheme development not only offers better value for money for the taxpayer, it will enable more schemes to be taken forward with the overall funding available.
- 2.2. There are multiple funding streams, each often with their own bespoke set of assessment/appraisal criteria. The majority of funding streams available from Government are capital only, with many operated as competitive processes operating to tight deadlines for submission and a requirement for any funding secured to be used within a prescribed period of time. There is no appreciation within the overall approach to the constraints on local authority revenue budgets, nor of the costs and risks that a local authority takes on when committing funds to develop a detailed proposal for investment.
- 2.3. Opportunities to accelerate decision-making include:
 - a) **Government to set time limits** within which it will make a determination on a strategic infrastructure project – with a requirement placed on Whitehall departments to stick to those time limits. This approach would give certainty to promoters and developers.

b) **Adopt a risk-based approach to delivery in advance of a formal final decision.**

At present the decision-making process is principally sequential, however there is the potential for some processes to be run in parallel. Shortening the overall decision-making process will enable the economic benefit of placing contracts to develop and deliver the investment to be realised sooner, and the benefits of the infrastructure to the communities it serves to be realised earlier.

- 2.4. The publication of the Transport Strategy, and its associated Investment Pipeline, demonstrates the ability of the Forum to take an evidence-led approach to the identification of investment priorities.
- 2.5. A logical next step will be for the Government to provide EEH (and other Sub-national Transport Bodies) with an indicative regional funding allocation.
- 2.6. The benefits of having certainty when it comes to investment in strategic infrastructure is already acknowledged by Government with both Network Rail and Highways England operating within the framework of a 5-year investment plan. Interestingly, the National Infrastructure Strategy includes reference to eight city regions securing 5-year funding settlements for local transport investment.
- 2.7. Given the inherent, and obvious, advantages of having greater clarity and certainty about the level of funding available for investment, the Spending Review represents the opportunity to press the case for a 5, or possibly, even 10-year indicative funding allocation within which STBs would be required to prioritise.
- 2.8. The added value of such an approach for individual partners lies in the ability to manage investment in strategic infrastructure on a programme basis. This would enable scheme promoters to plan and allocate their own resources with more confidence and enable scheme development work to be completed once, when it is required.
- 2.9. The move to a programme approach – within an indicative funding allocation – would help reduce avoidable costs (such as the cost of bidding for funding, the assessment of bids and reporting) to a minimum.

3. Accelerating Delivery of Known Priorities

- 3.1. The Investment Pipeline set out within the Transport Strategy identifies key infrastructure projects that are priorities for the region.
- 3.2. A significant number of immediate investment priorities can be categorised as 'no regrets' investment: in other words, notwithstanding the changes to travel demand that have arisen in response to changes in activity post-COVID, the investment is still required to enable the delivery of planned growth.
- 3.3. Examples of such investment include:
 - **East-West Rail** – there remains a need to secure the funding to enable delivery of the Milton Keynes to Aylesbury connection, and to enable delivery of improvements between Bletchley and Bedford
 - **East-West Rail (Oxford-Bedford) Electrification** – the EEH work on Pathways to Decarbonisation has identified the critical importance of electrification of the transport system. Nationally Government has identified the need for a rolling-programme of electrification of the majority of the rail network. Delivering the new sections of EWR as an electrified railway will avoid additional costs that will inevitably be incurred in retro-fitting what will otherwise be an operational railway. Electrification of the remainder of the Midland Main Line and Chiltern Main Lines would be priority investments in the medium term.
 - **Digital Connectivity (linked with EWR)** – experience with the Bicester to Bletchley section of EWR has highlighted the need to ensure that the specification of all new major infrastructure includes a requirement to deliver the infrastructure as 'digitally enabled'
 - **The CAM (Cambridgeshire Autonomous Metro)** – a transformational project in its own right, but with linkages to the delivery of East West Rail, particularly in terms of support for planned growth at Cambourne and Cambridge Bio-medical Campus

- **Milton Keynes Mass Rapid Transit** – securing the funding required to accelerate the development of this transformational project
- **EEH Major Road Network Programme (2020-2025)** - submitted to Government in summer 2019, a programme of 9 schemes on the Major Road Network and 2 Large Local Major. All of the schemes were prioritised on the basis that they enabled the delivery of planned growth. Delivery of this programme could be brought forward if decision making within Whitehall was accelerated. It will also require additional revenue funding being made available to the scheme promoters to enable the detailed development of individual schemes to be accelerated (see below)
- **Oxford Station (additional capacity)** – already identified as a ‘Project Speed’ delivery of this project is central to not only realising the potential of EWR, but more widely the ambitions for improving public transport serving Oxford and surrounding areas, as well as enabling inter-regional movements
- **Felixstowe to Nuneaton Rail Corridor** – acceleration of processes to finalise the business case in support of both proposals to address bottlenecks at Ely and Haughley Junction: both identified as critical to enabling this corridor to play its strategic role in connecting global deep-sea shipping services operating out of Felixstowe with the rest of the UK. EEH has written a joint letter with Midlands Connect and Transport East, to the Chancellor urging Government to accelerate this work.
- **A1 corridor** – identifying and taking forward the long-term solution required for this strategically important corridor
- **A34 corridor** - identifying and taking forward the long-term solution required for this strategically important corridor
- **Western Rail Link to Heathrow** – improved connectivity to Heathrow from the west has long been identified as a regional priority, benefiting businesses and residents in Oxfordshire and Swindon, as well as communities further west. The scheme has been developed to the point at which the application for the Development Consent Order can be submitted
- **Active Travel Measures** – across the region local transport authorities have received some additional funding to enable them to take forward initiatives in the short term: additional funding (both revenue and capital) would enable the pace of this work to be accelerated. EEH partners have access to the First Mile/Last Mile toolkit to aid them in identifying opportunities at the local level
- **Wixams Station** – prioritising the development of detailed proposals for the station
- **Wisbech Rail Re-Opening** – supporting the Strategic Outline Business Case in support of the detailed proposal for the restoration of rail services
- **Crossrail 2** – progress on this scheme was put on hold as part of the autumn 2020 announcements: the strategic importance of this scheme to the Heartland are significant

4. **Developing Schemes to make them ‘oven ready’**

- 4.1. The lack of certainty that arises from the lack of clarity on the level of funding available nationally can act as a disincentive to local authorities to invest in scheme development because of the risk involved and the continued pressure on revenue budgets. Local authority finances are under even greater pressure as a result of COVID-19.
- 4.2. With that in mind three areas of opportunity are:
 - **Local Contributions – Government to waive** the need for local authorities to contribute towards the capital cost of strategic infrastructure requirements identified in the Investment Pipeline: a time-limited dispensation (5 years) that reflects the unprecedented circumstances we find ourselves in

- **Work in Kind – roll out adoption of this as a mechanism** for capturing and placing a value on the work undertaken by local authorities in support of developing and implementing strategic infrastructure: originally pioneered with East West Rail (Western Section), the mechanism has been actively supported by DfT and would allow the resources provided locally to be valued and used as an offset against the reduction in local contributions
 - **Scheme Development Fund - additional revenue funding over 3 years (from Government)**: held by DfT and managed on a joint basis with England's Economic Heartland as the Sub-national Transport Body, this funding would be used to support the commissioning of the technical work required to bring a proposal to the point it is 'shovel-ready'. The funding would be available to support proposals that have been identified in the Investment Pipeline.
- 4.3. In terms of proposals identified in the Investment Pipeline as being of regional significance, priority should be given (on a no-regrets basis) to accelerating work in relation to:
- Commissioning work to determine a long-term solution to realise the potential of Bedford Midland Station
 - Commissioning work to determine a long-term solution to improve connectivity between Northampton and Market Harborough (as part of a wider Milton Keynes to East Midlands project)
 - Accelerating the work to determine a long-term solution for the Milton Keynes – Aylesbury – High Wycombe – Old Oak Common rail corridor
 - Identifying an agreed programme of infrastructure to improve connectivity between Milton Keynes and Oxford (building on the output of the first of the connectivity studies commissioned by EEH – starting Q4 2020/21)
- 4.4. Linked with delivery of the infrastructure pipeline are two specific funding proposals that reflect the Transport Strategy's focus on harnessing the region's strength in science and technology-based innovation:
- **Transport Innovation Fund** – establishing a region-wide innovation fund, managed in partnership with DfT, Innovate UK with the objective of running a series of 'grand challenges' linked with the need to transform the region's transport system – the 'grand challenges' to reflect the requirements of the draft Transport System, such as:
 - Developing new public/shared transport models for rural and semi-urban communities
 - Freight and logistic solutions for urban environments
 - Integration of travel modes
 - **Digitally Enabled Landscape** – establishing a region-wide programme through which it will be possible to deliver the ambition of 'always connected' across the region. Initial focus on building the public/private sector partnership that is necessary to deliver the infrastructure – particularly mobile – that is required to enable service transformation at scale across policy areas.
- 5. Increasing Technical Capacity and Capability**
- 5.1. The implications of limitations within the 'client side' on the ability to develop and then implement scheme proposals have already been explored by EEH. This work – taken forward as 'Capacity and Capability' – was a concentrated piece of collaborative working that used the knowledge and experience of officers from a number of partners.
- 5.2. The outcome of the 'sprint' highlighted:
- The limited number of schemes developed to the point at which they were ready for implementation over the next 5 years
 - The lack of technical and professional capacity within the 'client side' to take over the work required to develop scheme proposals
 - The lack of access to specialist experience that would improve the efficiency and effectiveness of that work

5.3. The EEH Leaders' considered the outcome of this work at their meeting in January 2020 and endorsed the proposal to improve the delivering of investment by establishing a regional 'centre of excellence'. The key features of this team to be:

- A (small) dedicated team comprising specialist technical and professional skills upon which all partners can draw to support their development of detailed scheme proposals
- In this way partners will have access to specialist skills without the need to carry as overheads within their own structures, nor without having to secure access at commercial rates from external sources
- As a regional centre of excellence the team would accumulate knowledge and experience that is then retained within the region and to the collective benefit of partners

In this way the regional 'centre of excellence' would directly address the risks to delivery that partners identified through the 'sprint'.

5.4. Building on the work already undertaken that is designed to accelerate the planning and development of strategic infrastructure two key areas of opportunity are:

- **Establishment of the Regional 'Centre of Excellence' – additional revenue funding over 3 years (from Government):** the benefit of establishing such a capacity and capability has previously been recognised by the DfT (it formed part of the funding for 2019/20): securing additional revenue funding from DfT would enable the team to be established before the end of the calendar year and would represent an 'invest to save', providing as it does the capability to reduce the cost and risk associated with the development of regionally significant infrastructure
- **Sub-national Transport Body Core Funding – revenue funding over 3 years (from Government):** current funding for core Sub-national Transport Body functions is on an annual basis: the lack of certainty and timing of funding from DfT has implications for our ability to take forward work to implement Transport Strategy. Primary focus for implementation is the programme of connectivity studies. Currently envisaged as a 4-year programme of activity, the output from the connectivity studies will be a detailed package of proposals for inclusion in the Investment Pipeline.

- ENDS -