

**SOUTH EAST ENGLAND
REGIONAL TRANSPORT BOARD**

Date: 1 February 2007

Subject: **Making the Case for Additional Transport Funding**

Report of: Planning Manager, Regional Assembly

Recommendations:

1. To note the progress with developing the 'making the case' document.
2. To agree the broad outline and content of the document as set out in Annex A.
3. To agree to delegate final sign off of the document to the Chair of the Board, subject to consultation with Board Members.

Purpose of the Report:

At the Regional Transport Board (RTB) meeting in October, the Board agreed to develop a document which would set out the need for additional funding for investment into transport in the region. This is in response to the long held position that the Board does not consider the current Regional Funding Allocation (RFA) is sufficient to meet the identified needs of the region.

This paper sets out the suggested approach to be developed in presenting the region's case to Government for a higher level of investment in the region. Additional material will be presented to the Board at the meeting.

1. Aims and Content of the Document

- 1.1 As part of the development of the Regional Funding Allocation (RFA) programme for transport schemes a considerable evidence base has been gathered that enables the benefit of additional investment to be identified. It is the intention to use this evidence base to underpin the case made for additional funding.

1.2 The parameters of the proposed document are set out below:

Purpose	To provide an evidence base for additional funding for transport schemes in the region, in the process identifying opportunities to enhance the effectiveness of transport funding streams as part of the RFA system.
Audience	DfT Officials, Minister, Regional Bodies, delivery agents, other interested groups.
Document Style and Format	Semi glossy Approx 20-30 pages in length Pictures/Diagrams where possible Case studies where appropriate

1.3 The Annex to this report sets out in broad terms the content and format of the proposed document. In particular the Board's attention is drawn to two principal areas for consideration.

2. Construction Inflation Issues

2.1 The evidence base for this argument is strong. Sources from both government and industry show construction costs are rising at around 5% per annum. In comparison the funding provided through the RFA process increases by just over 2% per annum. The implication is that the region will incur a real cut in purchasing power year-on-year. As part of the work to develop the document, attention is being given to examining whether there is evidence of regional variation in the way construction price inflation affects South East England.

3. Evidence Based Scenarios

3.1 As part of developing 'making the case' it is suggested that a number of scenarios are developed from the evidence base. Whilst no single one of these will be highlighted as the way forward, the scenarios will help inform the arguments presented in the final document. The scenarios are based upon a combination of regional and national objectives, and hence will accord with a number of current debates in the context of the South East Plan, Regional Economic Strategy as well as government reports such as Barker, Lyons and Eddington. In this way the document is already aligned with many of the government's key delivery issues.

3.2 The Annex to this report presents four scenarios to assist in making the case for additional funding. In summary these are:

1. **Addressing Cost Increases** - this scenario will focus on the cost inflation arguments discussed above.

2. **Putting Programme Back on Track** - this scenario will be developed from the existing evidence base and will compare the earliest delivery date identified by scheme promoters with the delivery date that is achievable with the current level of funding. The aim will be to ascertain the level of funding required to bring the programme back to the 'intended' delivery date and hence assess the impact of delay caused by insufficient funding.
3. **Supporting the Gateway Function & Addressing Bottlenecks** - this scenario will be developed by selecting those schemes that support the gateway function, and set out the cost of delivering these schemes. This will pick up a number of current arguments and directions as set out in the Eddington Transport Report. It will also present the cost of developing schemes that assist with, or remove, bottlenecks on the transport network, and hence help in addressing productivity.
4. **Enabling Growth** - this scenario will set out under four elements how additional funding could enable earlier and faster growth. A quantification will be made of the level of growth 'unlocked' by this approach:
 - **Growth Areas** - this scenario will be based on the cost of delivering improvements in the growth areas of South Hampshire, Milton Keynes/Aylesbury, Kent Thames Gateway and Ashford.
 - **Enabling Large Scale Housing Growth** - this scenario will be based on those schemes that unlock the larger housing growth sites in the region.
 - **Coping with Small Scale Cumulative Housing Growth** - this scenario will consider the impacts of cumulative housing growth on the region.
 - **Enabling Employment Growth** - this scenario will be based on those schemes that unlock the larger employment growth sites in the region.
 - **Maintaining Economic Buoyancy** - this scenario will address the issues of enabling growth to continue in those more prosperous areas.

3.3 It is important to emphasise that the scenarios are to be used to focus the presentation of regional schemes that have been prioritised using the regional methodology. It is of the utmost importance that the work does not undermine the prioritisation process, rather reinforces it. This work will also assist with working towards the refreshing of prioritisation in 2008.

- 3.4 The intention of the scenarios is to enable the region to focus its case in a way that aligns itself with the focus of funding streams that are currently controlled centrally. This includes any future rounds of Community Infrastructure Fund (CIF), Growth Area Funding (GAF), or Transport Innovations Fund (TIF).
- 3.5 The conclusion of the document will summarise the case for additional funding and possibly present the information in terms of a series of outcomes that are grouped in terms of a range of funding levels. This may well, for example, result in moving the cut off line of schemes currently funded through the RFA should increases in funding be made available, or highlight those schemes that fit certain criteria. It is also likely that the document will call for the need to set out mechanisms that are equally as transparent as those used in the region to allocate future national funding sources, as well as picking up the concept of a Regional Infrastructure Fund.
- 3.6 Other Issues
- 3.6.1 The outline of the document has been taken through the Regional Transport Co-ordination Group, the comments from which have been incorporated into the outline contained in the Annex. The Group also highlighted that there may be a case, following the weight Eddington puts upon the issue; that those highways routes that form part of the strategic national network connecting gateways to their strategic markets may be better placed within the national rather than regional funding arrangements. This would in turn free up funding for the region as a whole.
- 3.6.2 The Group in particular highlighted the A34 and the M27 as falling into this category. The development of the document will consider how to address this issue.
- 4. Next Steps**
- 4.1 'Making the case' offers the region the opportunity to input into the final developments of CSR2007 as well as picking up and making an 'offer' to government as to how it can provide real delivery on the ground given the right conditions. Due to the need to publish the document prior to the next formal meeting on the Board, the recommendations seek to agree sign off by the chair of the Board in consultation with members.

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OUTLINE OF MAKING THE CASE DOCUMENT

Introduction (1 Page)

- Positive about RTB and RFA process.
- Some areas believe can be improved (building on the RTB report as feedback to the Department).
- Fundamental issue about level of funding and how funding is provided to the region.
- Document is intended to assist and develop the debate on how this can be taken forward.
- Links will need to be made with CSR 2007, Eddington, Barker, Lyons, and Regional Infrastructure Fund.

RFA System Now - in effect Exec Summary (2 Pages)

- Set out the key benefits.
- But number of areas where improvement or action is needed in summary form:
 - Better use/management of what we have (alignment argument and putting case regarding inflation costs).
 - Support the need for regular liaison with DfT in terms of process meeting and to support the need for regular monitoring from LTAs.
 - Better/more engagement in process (i.e. speed of decision making, rail franchising etc).
 - Is the regional/national split of routes correct (i.e. A34/M27).

Making the Case for More Funding (8-10 pages)

- Why invest in the South East.
- £11 bil out of region - asking for additional funding to reflect this contribution and enable the region to continue to operate as well as grow.
- Scenarios to test/consider:
 - Addressing Cost Increases.
 - Putting programme back on track.
 - Supporting the Gateway Function & Addressing Bottlenecks.
 - Enabling Growth.
- Evidence will show what levels of funding could produce in terms of outputs targeted at Government's current agenda of growth and productivity.

Conclusion (2-4 pages)

- Fully support RFA - backed by whole region.
- Need to build upon the processes already developed - delegating more to sub-national decision making.
- Urgent need to address inflation issues.
- If wishing to allow region to continue to function - need to provide additional funding.
 - Better Use/Management.
 - Alignment argument.
 - Better/More Engagement in Process.
 - Need for engagement in process of agreeing final funding packages - if region is to pick up overspend far better engagement is necessary.
 - Flag up same argument as to rail and how this might be taken forward.
 - More Funding.
 - Flag up messages from section - especially focusing on enabling growth.
- Present, if possible, aligned schemes from prioritisation process that hit particular funding issues for government (i.e. Growth (CIF/GAF), Productivity (TIF) setting out where the Board considers the priority should be if alignment of funding is not practically possible.
- Present what could be achieved given certain levels of funding (developed from scenarios) in terms of a longer list from the prioritisation process.
- Need to link back to issues highlighted such as Regional Infrastructure Fund, CSR 2007, Eddington, Barker and Lyons.

Technical Annex

- This will provide the data used to develop the scenarios in detail

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