Devolved decision-making – HM Treasury Consultation
A response from *pteg*

Introduction

pteg represents the seven Passenger Transport Executives of England and Scotland which between them serve more than thirteen million people in Strathclyde ('SPT'), Tyne and Wear ('Nexus'), West Yorkshire ('Metro'), South Yorkshire, Greater Manchester, Merseyside ('Merseytravel') and the West Midlands ('Centro'). Transport for London (TfL) is an associate member of ***pteg***. The PTEs plan, procure, provide and promote public transport in some of Britain's city regions with the aim of providing integrated public transport networks accessible to all. The PTEs have a combined budget of more than a billion pounds a year, and are funded by a combination of local council tax and grants from national government. They are responsible to Passenger Transport Authorities (PTAs), made up of representatives of local councils in the areas they serve.

This response tackles the questions posed by the consultation paper, but first we make some more general comments.

General comments

The PTEs are a good example of devolved decision-making, playing a key role in the delivery of LTP programmes, often leading the process of prioritisation at a sub-regional level with up to ten partner authorities. The PTEs welcomes the principle of greater devolvement in decision-making and recognise that this could lead to a change in their roles. However, in any re-organisation, it is important that PTEs' proven ability to deliver is not jeopardised. The ability to be able to draw spending streams together is welcomed. It should assist in delivering better outcomes, mainly through the introduction of more flexibility into programming arrangements. We see little scope for changing the projects we undertake, but some opportunities for achieving more positive outcomes through better co-ordination. The danger with the proposed approach is that it merely inserts a further tier of administration which comes to a view that central Government feels unable to support. This would merely lengthens planning horizons, increase bureaucracy and diminish commitment at a regional level.

If it is to produce benefits, a way must be found of setting up a constructive dialogue at regional level with local, sub-regional and national stakeholders involved, each contributing real resources to the process and engaging constructively. We are concerned that there is little good practice that we can point to in this area, and that the recent pilot regional transports boards set up to consider this (within one of the three expenditure streams now being considered) did not enjoy great success. There must be a much greater degree of clarity and transparency to the process being proposed than that which was tried in 2004. Furthermore, the full range of transport agencies – including the rail industry – need to take part in the process if it is to have validity.

Whilst the logic of integration of funding streams between transport, housing and transport is undeniable, the argument is stronger in the areas where new or extended communities are being planned. In the Midlands and North of England we understand the main thrust of housing expenditure is in upgrading sub-standard stock and in addressing market failure. This form of expenditure has much more to do with day-to-day revenue and minor capital expenditure on transport and relatively little with major transport investment. We are therefore concerned that the benefits of including housing in some regions will merely add complexity without increasing effectiveness.

General summary

In summary, we remain supportive of the principle of regional decision making, but have major concerns that:

- the practicalities of implementation (as yet undefined);
- the 'democratic deficit' involved in making decisions at a regional level, and
- the addition of a new tier bureaucracy,

will slow down decision-making and make it more costly to appraise schemes without necessarily adding any clear value to investment programmes.

Central government appears already to be passing on investment decisions to a new system that has yet to be put into place. One of the key criteria that should be considered in developing a way forward is whether the change proposes aids delivery of the local and national policies through added value for money. We remain to be convinced that the answer to this question is 'yes', and consider that the existing processes for decision-making should stay in place until a more clearly defined alternative has been developed that has fuller support amongst key stakeholders.

We would be pleased to continue to be involved in shaping future policy and helping to address the issues we raise in this response. Please contact Tim Larner at tim.larner@pteg.net or on 0113 251 7315, if you wish to take up this offer.

Detailed consultation questions and responses

1 In addition to the funding allocations and longer term planning assumptions what else would the regions need to improve their ability to prepare and implement more integrated strategies for transport, housing and economic development?

Without some form of general guidance on the priorities Ministers have, the views are likely to be overturned. Guidance will also assist in setting up evaluation frameworks that address both regional and national priorities. The ability to interact positively with other funding streams is also important. These could come from national or EU funding streams. It is currently unclear how Transport Innovation Fund will be used alongside regional budgets, whether to fund whole package, elements of packages or proportions of packages. There is currently no indication what the role of 'local contributions' will be given that for current large major transport projects, a 25% local contribution is required.

A further concern is that guidance should address the significance of the social and wider economic benefits delivered by some transport schemes. Transport investment can deliver important social inclusion benefits and support inward investment to disadvantaged areas. Both of these objectives do not sit well with an appraisal methodology largely based on journey time savings as a proxy for economic benefits.

2 Given that the Spending Review will remain the guarantee of funding, how might regions take account of the possibility of actual funding varying from the planning assumptions?

There should be a test of robustness applied to any programme developed by regions. This should allow not only for departures in actual spending varying from the guidelines, but also *allow for slippage of major projects, failure of projects to negotiate statutory procedures, etc. The approach proposed for the LTP2 process is a model that might be followed, allowing regions to bid up to 10% above their guideline showing what additional outcomes would be delivered should additional funding be made available. Equally, the impact of reduced spending should also be indicated.*

If the outcome of Spending Review was more favourable than the projection indicated, government would then be in a position to allocate the funding on a value for money basis.

3 What changes would need to be made for each region to align its strategies and agree shared priorities consistent with the funding allocations and planning assumptions?

We are not in a position to respond to this question. Individual regions will have their own view on this subject.

4 What are your views on what should be included in the guidance to regions on providing their advice for the next Spending Review?

PTEs have in previous Spending Reviews been relatively peripheral to the input to Spending Reviews and would welcome the opportunity to be more involved. Regions should be encouraged to identify needs according to the objectives for public sector investment at both a national and regional level. An important requirement should be to relate programmes to adopted strategies in a clear way and to demonstrate relevance to key outcomes. This should cover overarching aims, including economic growth, social inclusion and environmental protection. PTEs are well used to carrying out such appraisals under the NATA system and have an important role to play, as they are able to take an overview from a 'city region' perspective. Increasingly, the role of city regions is being recognised in their impact in driving forward the regional economies.

5 What form of feedback from and interaction with Departments, if any, would regions find useful in developing capacity and assessing the impact of their advice?

It is essential, in our view that there be full involvement of spending Departments in the process. The regional view should increasingly become the national/regional view, with relatively little changes being made once regions have set out their proposals. This requires a strong element of capacity building at a regional level using those resources that are currently located within Departments.

The worst outcome from this process of devolved decision-making would be for the regions to become merely a further bureaucratic tier in the process.

6 To what extent do you think regions should be able to advise on re-profiling and switching between the three policy areas?

We regard one of the key benefits of developing a regional view is that it may be possible to improve value for money by re-profiling spending streams. The extent to which Government Departments are willing to allow this to happen is of key concern. With transport projects, it is often the case that infrastructure needs to precede other development to lock in sustainable access from 'day one'. If similar programmes are recommended in several regions, this may cause a general skewing of expenditure towards transport in the early years. We would welcome Government confirmation that it would be prepared to permit such an outcome.

We also feel that regions should be given the opportunity to consider changes at the margins to other spending streams. A region might come to the view that better value for money could be achieved by, for instance, using its funding to 'top up' allocations made by central Government for LTP integrated transport across its LTAs or by varying the balance between capital and revenue funding. Such contributions to the debate should be encouraged rather than dismissed.

A further opportunity is presented by this proposed devolution of decision-making. At present the threshold for 'major scheme' is set at £5m. With the involvement of regions in investment planning relatively modest schemes in the £5-20m range will need to be considered at local/sub-regional, regional and national levels. There is an opportunity to devolve responsibility for smaller major schemes down to sub-regional partnerships or, alternatively to allow regional partnerships to have absolute control over a proportion of their allocated budgets to all these smaller investments to move ahead without excessive appraisal input.

7 Which principles do you think are the most important in developing a formula to determine regional distribution of transport funding allocations?

We regard this as being at the nub of the issues raised by the consultation paper. In the past, relatively narrow 'value for money' criteria have tended to skew expenditure towards the richer areas of the country because of higher benefit:cost rations. Such analyses often underplay the higher social needs of the poorer areas of the country. Given the Government's objectives (specifically an ODPM target) to reduce the gap in economic performance between the South East and the rest of the country, it is vital that the approach used specifically recognises the social benefits of spending in poorer areas of the country, and the links between good quality infrastructure and economic development.

It may be that this is best delivered by recognizing the importance of this effect in the formula used to distribute funding between the regions, rather than attempt to show it through a revised appraisal methodology. We feel it is important that this greater level of need should be clearly reflected in the allocation formula to achieve the necessary targeting of funding. As areas improve their relative economic performance, the factor should diminish in significance.

Tim Larner / Jonathan Bray
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