



Transport Committee

Oral evidence: [Local decision making on transport spending](#) HC 1140

Monday 10 March 2014

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[Evidence from witnesses](#)

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Members present: Mrs Louise Ellman (Chair); Sarah Champion, Jim Dobbin, Jim Fitzpatrick, Karen Lumley, Jason McCartney, Mr Adrian Sanders, Graham Stringer and Martin Vickers

Questions 1-111

Examination of Witnesses

Witnesses: **Richard Wills**, Greater Lincolnshire Local Enterprise Partnership, **Jerry Blackett**, Greater Birmingham and Solihull Local Enterprise Partnership, **Stuart Jarvis**, Director of Economy, Transport and Environment, Hampshire County Council, and **Councillor Andrew Fender**, Chair, Transport for Greater Manchester Committee, gave evidence.

Q1 Chair: Good afternoon and welcome to the Transport Select Committee. Could I please have your name and organisation, starting at the end?

Richard Wills: I am Richard Wills, Greater Lincolnshire LEP.

Jerry Blackett: I am Jerry Blackett, Greater Birmingham and Solihull LEP.

Stuart Jarvis: I am Stuart Jarvis from Hampshire County Council.

Councillor Fender: I am Councillor Andrew Fender, Chair of Transport for Greater Manchester Committee.

Q2 Chair: Thank you very much. First, can you tell us how transport funding allocations have changed in your areas over the past four years? What changes have you seen? Who would like to start by telling us about that?

Richard Wills: Truthfully, in terms of where the decisions are taken, not a lot, because ultimately financial decisions are taken by the Secretary of State for Transport. In terms of the allocations, we are now seeing more of it being sent down to local level, in our case the local transport board. One of the big changes is that, whereas before we were dipping

into a pot, in the local transport board mechanism—the SEP is different—we have been allocated money by proportion of population. That means it is a thinly spread sum of money, whereas before we had the opportunity to bid for much larger sums. That has been one of the big effects for us.

Q3 Chair: Have you felt there has been more devolution and decision making locally?

Richard Wills: Not really. Previously, the priorities were set by local authorities and the financial decisions ultimately were taken by the Secretary of State, and, effectively, that has not changed much.

Jerry Blackett: My day job is that I am chief executive of the Greater Birmingham Chambers of Commerce. My take would be that we have private sector engagement in the local transport board. It is chaired by a private sector individual. We did spend an awful lot of time on the governance, which I suppose you would expect, and then the penny dropped that we were dealing with only quite a small sum of money: £24 million is large in some terms but not really for transport. We allocated that in a blink, and then thought, “What do we do next?” We are ready to do more, but the sums are so small.

Q4 Chair: Mr Jarvis, how has it been in your area? How have the local enterprise partnerships and local transport board affected what local authorities were doing before?

Stuart Jarvis: The story is quite similar to those of my two colleagues. It is slightly more complicated in Hampshire because we have two local enterprise partnerships, neither of which is wholly within Hampshire; the county area is split between them. We have a very good, positive working relationship with both the LEPs, and both have set up local transport boards. In southern Hampshire, the Solent LEP area, we have a history of working together. We had an organisation with a formal joint committee called Transport for South Hampshire, which involved Hampshire county council, Portsmouth and Southampton unitary councils and also Network Rail, the Highways Agency and others, so we have quite a long history of working together in southern Hampshire.

The main advantage of the current round of funding is that we have a slightly bigger target to aim at, in that there are notional allocations, which, if you look over a four-year period, may mean as much as £30 million being spent on transport in an area which, in the past, was beyond our local transport plan allocations. We still feel that the overall size of the pot does not address the really big transport priorities—for example, improving a motorway junction at Winchester, which would probably be in excess of £100 million.

Q5 Chair: Councillor Fender, how have the changes affected the work in your area? How have the local enterprise partnerships and local transport boards, if they are operating where you are, affected decision making in transport?

Councillor Fender: We have an LTB in our area. We have a history of very close working between the business community, in whatever form, and the transport authority. The biggest change in Greater Manchester that has taken place within the period we have just been talking about has been the creation of the Greater Manchester transport fund, where we have pooled national resources with a significant amount of local resources to create a £1.5 billion pot from which we are funding principally extensions of our Metrolink

network, but also a series of interchanges and other measures. That is a step change from the way we have done things in the past, because we have been helping ourselves to move forward those big issues; this keys in very much to the argument about devolution, and the further changes that we are hoping will be made along that road.

Q6 Chair: Councillor Fender, how much of that change is to do with Manchester having a combined authority rather than to do with the setting up of the LEPs and transport boards?

Councillor Fender: I think it is the reverse—or the obverse of that. The arguments in favour of the creation of a combined authority were very much assisted by the fact that the 10 city and district councils had co-operated so well together to create the transport fund. Creating the fund, and getting the buy-in and commitment to do that, was the first stage in persuading them and the Government of the need and willingness to create the combined authority.

Q7 Chair: Would anybody like to comment on whether the current system is better or different from the system that operated previously—before 2010? I know you are all coming to this from different perspectives and you have varied experience. Would anybody like to comment on whether they think it is better or worse?

Jerry Blackett: I think it is a good start. We have started to use local views more, so it feels that we have made a good start, but there is still the issue of competing for money. In competing for money you have to create your local priorities, which is good, but that becomes a bid and that becomes a central decision. Although we have had devolution, there are still central decisions at the end of it, which feels a bit odd in terms of devolution.

We also worry that a lot of the pot going into the local growth fund has come from DFT money. How much of that money will we locally want to spend on other things, because a local road fund is meant to be about, “You find your local priorities and decide what you want to fund”? It might mean there is less money for transport because of that, so when the local road fund is targeted on the economy and jobs, and we have things like maintaining the roads, the maintenance budgets are probably going to slip away. It is a good start, but there is still a long way to go.

Q8 Chair: Mr Jarvis, do you have any views on how the current system operates compared with the previous one?

Stuart Jarvis: Possibly it is slightly too early to tell, and probably in another year’s time when the LEPs’ allocations have been made firm through the growth fund one can see what priority will be given to transport, although I am optimistic about that. One of the best things has been the input from business and a much stronger economic focus on transport, which has given a clearer sense of purpose to some of the longer-term transport funding thinking. I also think that an awful lot will depend on delivery and what actually happens. I would be concerned that, because of the competitive nature and the potential number of hurdles to jump over, quite a lot of capacity in local authorities is going to be taken up with navigating through the process and doing competitive bidding rather than spending that money on transport improvements on the ground.

Q9 Chair: How do you view the possibility, or proposal—it is more than a possibility, isn't it—of more competitive bidding in the future? Do you think that is going to be helpful in terms of devolution?

Stuart Jarvis: I would say not, because of the abortive costs; for every successful bid, there will be ones that are not successful in a competitive environment. I know it is a very difficult balance to strike. My LEP colleagues would often say, from a private sector viewpoint, that competition is always good because it helps the strongest things to emerge. The current balance of some formula allocation and some competition is probably about right, but the competitive element needs to be as light touch as possible, to identify the best schemes, rather than have an awful lot of resource put into bidding for things that ultimately may not be successful, and therefore bidding costs are a risk for the local authorities.

Q10 Chair: Are there any other views on bidding, which is going to be introduced more strongly in the future?

Richard Wills: I would echo that. One of the good changes is that there is now a formal voice for business in the process; before, we consulted as local authorities. I am a local authority official but I am also a board member for the LEP. My private sector colleagues on the local enterprise partnership are very much in favour of competition; they are not afraid of it, but their warning is that there must be sufficient chance of success. In conventional bidding and tendering you do not want to be one of 12 tenderers all the time, because at best you have a one in 12 chance, so it will partly depend on the amount of money in the total pot as to what the competitive process gives us in terms of effectiveness.

Q11 Sarah Champion: Mr Jarvis, if I can bring you back to your interchange, in a big project like that who leads on it, and how do you negotiate? You will have the LEPs with their priorities, the local transport boards, the local authorities and the Secretary of State. How is something complex like that managed?

Stuart Jarvis: That particular project is clearly beyond the scope of the local growth fund, so initially it is a case of whether it forms part of the strategic economic plan for the local enterprise partnership to identify it as a priority. As it happens, we have a pretty good working relationship with the Highways Agency and both the Enterprise M3 LEP, in whose area that falls, and the Solent LEP, who would be the main beneficiaries, as it is a critical node on the transport network between the west midlands and the port of Southampton. That is why it is strategically important. First, it would be a case of identifying the priority attached to that transport intervention. My concern is where it is then addressed in funding terms, given that it is beyond the funding capability of the local enterprise partnerships, even if you take a very optimistic view of how well they will do competitively against other LEP areas in securing local growth fund money; it is about that scheme of things too big to be local, and how that works.

Q12 Sarah Champion: It seems quite a complex system of negotiation. Is it? Is it overly complex?

Stuart Jarvis: It is complex, yes. I do not yet know how those things would be addressed by the Department at national level. I do not know how onerous the putting forward of a

bid will be. At this stage it is unclear what the mechanism will be for dealing with schemes like that, which sit above and beyond the individual LEP.

Q13 Sarah Champion: Mr Wills and Mr Blackett, talking about local enterprise plans, I am aware that the LEPs have different priorities, so how would you negotiate together for a big transport plan where you both might have different opinions and priorities? How would a project that cut across your regions be negotiated?

Jerry Blackett: Across LEPs?

Sarah Champion: Yes.

Jerry Blackett: That is being dealt with as we speak. The LEPs are putting together their strategic economic plans. Almost immediately, we realised that we had to talk to partner LEPs in the west midlands because transport crosses those borders. We are as confident as we can be that, when the LEP plans come in, they will join up from a transport point of view. You will see a regional requirement that will be broken down into the individual LEP aspects, because we cannot countenance bids that are discordant, or do not mesh.

Q14 Sarah Champion: Who is co-ordinating that? You said you hope it all meshes together, but is the Secretary of State making sure it does?

Jerry Blackett: The LEP chairs are. I was with three of them last week. At the very highest level—at LEP level—the chairs are making sure that their strategic economic plans synchronise. I am sure the Secretary of State will ask for that if we do not anticipate it.

Richard Wills: If anything, there are probably fewer problems now because the LEPs cover rather larger areas, so the chances of cross-border problems are minimised just because we have combined areas. But I would not want you to think that this is something new; local authorities and transport authorities have been working across boundaries for most of my career. In the east midlands, the A46 schemes cross several boundaries; we agreed collectively in the east midlands that that was the right scheme to do around 2010. We did a scheme into Peterborough and Cambridgeshire, which was a different region altogether in Government terms at the time. Co-operation and collaboration are not new. Like all good collaboration, it is about talking to each another.

Q15 Martin Vickers: I have a question for Mr Wills which really follows on from the previous one. If I can use a specific example, the constituency I represent in northern Lincolnshire—particularly the industrial sector—is pushing for improvements to the A15, which you will be familiar with, between the A180 and into Lincoln. I know that has in the past been a priority, because it lies mainly within the county council area. I know that the Humber LEP is sympathetic to it; I am not sure about the Greater Lincolnshire LEP, but Lincolnshire county council, who have 90% of the road in their area, do not regard it as a priority. Ultimately, as you pointed out, those who hold the purse strings—the Minister—have ultimate decision making, but how is it working through? We seem to be at total deadlock on that particular issue.

Richard Wills: I think the deadlock is the £400 million that it would cost to do it. When you have only £100 million, you cannot do a £400 million scheme. You could do a quarter of the £400 million scheme, or you could fund a whole scheme somewhere else. In that

circumstance, because schemes like the Lincoln eastern bypass—I am sorry, this is rather parochial—release a lot of growth immediately, that is what has been chosen by both the local enterprise partnership and the local authority. If the size of the pot was bigger—in terms of total national expenditure it would not take much to make it three or four times the total amount that it is now—you would start to look at schemes like that, because you are bidding into a bigger pot.

Perhaps one of the issues for the Committee to look at is how those very large schemes are bid. At the moment they become separate schemes altogether. The £400 million scheme for the A15 would be a big proportion of the £2 billion in the single local growth fund, for example. Probably the total quantum is going to be as big a problem for prioritising as, if you like, differences between LEPs.

Q16 Martin Vickers: Who has the most influence now? Is it the county councils, the unitaries or the LEPs? Who is beginning to get the upper hand?

Richard Wills: I do not think it is a matter of “upper hand.” The collaboration—certainly in our area—is good. We obviously have a cross-boundary overlap; north and north-east Lincolnshire are in two LEPs, and we are looking at transport schemes that deliver growth. For example, we supported the Humberside LEP in getting better access to the ports in Immingham because we recognise that they are valuable to the whole of our LEP area and indeed, in those particular cases, to the UK as a whole.

Q17 Chair: Have there been any clashes—let’s say disagreements—in any of the areas that you are from between what the business voice says is important and what the local authority voice might say is important? Have there been any differences of view? Does silence mean “no”? It would be normal, wouldn’t it, for there to be different views on which schemes should go forward, or which is more important than another?

Councillor Fender: In our case, perhaps the reason why I cannot say there have been differences of view is that we had a very large package of schemes for which we had difficulty in finding major scheme funding. We approached that problem by undertaking a thorough review of what economic impact each of those schemes would have by virtue of the GVA they would demonstrably create. Through that mechanism, we were able to rank the schemes and, having determined how much from the pot to fund those schemes, we determined the cut-off point in terms of priorities. Because that was a process people agreed with, it was difficult to argue against that as an outcome. Consequently, the LEP, together with the local authorities, have bought into that process and we are now in the business of delivering it. Having got a large local single pot that is delivering that array of schemes, we are able to achieve the benefits of such a large programme, with economies of scale in delivering, and particularly flexibility.

One thing that perhaps has not been touched on is the benefit that we would all have from a longer-term, consistent source of funding that we as local authorities and business partners knew we were able to achieve, and apply to an agreed programme. That will become increasingly important as we prepare our areas, where they are relevant, to make ourselves ready for the arrival of HS2. We have a lot of work to do to equip our local regional transport networks to secure the advantages that HS2 will bring, but to do that we

need a higher and more long-term and secure mechanism for funding the bits that are going to be needed.

Q18 Chair: But on the structures and the way it is organised, are you saying that at the moment there is no conflict between, let's say, the local enterprise partnership and the local transport board in transport priorities?

Councillor Fender: Not in our case.

Q19 Chair: Mr Jarvis, is it the same in your area?

Stuart Jarvis: That would be the same. There is robust discussion between individual authorities.

Chair: It is not a problem. I am just trying to establish whether this is an issue.

Q20 Mr Sanders: This might sound a little unfair, but one gets the impression that you are all trying to build a jigsaw without knowing what the picture on the box is. Do you ever feel the absence of a regional overview?

Councillor Fender: A little while ago you were asking about the advantages and disadvantages compared with the previous system. A previous system that did exist for a period was the regional assembly and regional development agency system. I had the privilege of chairing the planning, environment and transport key priority group of the regional assembly. I think the biggest difference between those days and now is that we were dealing with the north-west region from the Scottish border to south Cheshire, which is a very large and diverse area of interests. The big advantage we have now in operating over a city region, whose boundaries are coterminous with the LEP, is that it maps very closely with the economic activity that takes place within it. That is a major advantage in getting support for the whole scheme.

Q21 Mr Sanders: I can see that working for a city, but does it work for, say, Cumbria wanting to link with Cheshire over the same sort of north-west region?

Councillor Fender: As I said, the interests are so diverse; I can only really speak about how I see the system working now in terms of Greater Manchester and similar areas.

Q22 Graham Stringer: Can you tell us how you work, or do not work, with Network Rail and the Highways Agency?

Jerry Blackett: We work with them.

Q23 Graham Stringer: Is it good or bad?

Jerry Blackett: We have close working relationships. I chair the business transport group meeting for the LEP. The Highways Agency and Network Rail are there consistently. We are working on creating a midlands demand-led strategy for transport, and Network Rail have been very helpful on that, with the Highways Agency coming along as well. They are changing their structure, so they are slightly up in the air. Within the boundaries—they are sovereign; they do not have to work with us—it is down to the quality of the local

relationships. If you work at those and have good local people, you tend to work well together, but you are always aware that you are working within the confines of their control periods and budgetary periods and you have to fit in. Provided you have good working relationships, you can make a fist of it, but it is not as good as if you had a single pot and the decisions were made in a central place, the delivery bodies delivered and the strategy was done in one place. Sometimes you feel as though you have multiple strategies that you have to hang on to and bring together, because they are powerful individual bodies.

Stuart Jarvis: We have a very good working relationship with both, and we welcome the recent recognition that supporting local economic growth is a legitimate purpose of the Highways Agency as well. There has potentially been conflict in the past between managing the network and facilitating strategic, long-distance traffic movement, which has often militated against local growth because it may impact on a particular junction and so on. We welcome that. The move to route management strategies is helpful.

Ultimately, there is a real challenge about how you try to manage the motorway and trunk road network as part of an integrated whole transport system, which is essential to support growth and get the most out of the highway capacity in an area. That is certainly an area that we will watch with interest, particularly in south Hampshire where there is a move to develop a managed motorway on the M27. That performs a vital strategic but also local role. Working with the Highways Agency, that will probably be the ultimate test as to whether or not one can manage the motorway and the local road network as a single whole to get the best out of the traffic capacity one has and support local economic growth, which is often strategically located along that motorway network.

Q24 Graham Stringer: I have a couple of questions slightly related to that. One of the problems in the north of England has been that transport authorities across the north of England were promised an increased role in the franchising process of the two major franchises there. That has been reduced. Andrew, can you explain to the Committee what the reduced role of the different local authorities is, and whether you think it will have any impact on the quality of those franchises?

Councillor Fender: The quality of the new franchises will crucially depend on decisions that Ministers take on what goes into the franchises and what cost reductions they may seek in the value of those franchises. When you say they have been reduced, we still have a very significant partnership and an opportunity, working with DfT, to secure the advantages that have been seen elsewhere in the country, through devolution of the rail franchising process. As local transport authorities, we are not getting all that we sought in one fell swoop, but we are part-way on the journey. I am optimistic that we will see advantages.

In the city regions, the former metropolitan areas, over many years we have had a close working relationship with the rail industry generally, both Network Rail, in terms of infrastructure, and the operating companies, so we can see from elsewhere in the country where rail franchising devolution has taken place that there are real advantages to that, and we look forward to securing them in our areas.

Q25 Graham Stringer: There has been some progress, but not as much as you would have wished for.

Councillor Fender: There has certainly been some progress.

Q26 Graham Stringer: On another current issue, FirstGroup told us that they are expected to lose 13% of their rolling stock in 2015 to the Chiltern franchise. Have you been told by the Government that that is going to happen, and been given any reasons why it is likely to happen?

Councillor Fender: The whole issue of rolling stock allocation needs to be refreshed, if I can put it as kindly as that.

Q27 Graham Stringer: You do not have to be kind; you can be as brutal as you wish.

Councillor Fender: It is fraught with problems. There is the charade of it being directed by market forces, which we all know isn't exactly the case. There ought to be a national rail rolling stock allocation plan where the industry, in its various arms—the local transport authorities and the rail industry partners—know where they stand. It is very unfortunate that the issue of these particular units came out in the way it did, because it has not done any of those involved any good. It is part of an opaque process. The biggest problem is that the rail industry does not have enough rolling stock. Until the fundamental issue of the number of units is addressed and a proper plan can be devised, we will have these sorts of issues emerging.

Q28 Graham Stringer: In your role as chair, were you informed, or was there any consultation process about what appears to be the proposal?

Councillor Fender: Not in relation to the nine class 170s, which I think is what you are referring to.

Q29 Jason McCartney: Thinking about having one voice, particularly in terms of public engagement on HS2—maybe this is a question for Mr Blackett and Councillor Fender—how do you ensure that you have one unified voice when you are talking about local decision making in public expenditure? We are talking about £50 billion for HS2. I am a Yorkshire MP, by the way, so you can probably guess where I am coming from. Mr Blackett, how do you make sure you have one voice? When Mr Higgins says we can start building from the north, obviously that is a big issue in your part of the world.

Jerry Blackett: We started with what the businesses felt they needed to compete. When we realised that rail capacity was filling up, it became evident from businesses and surveys that we did that they wanted more rail capacity. At that point high-speed rail became an obvious solution. There is then the regeneration value that comes with the stations. When we examined the case, we were fairly rapidly able to put it in front of businesses. Certainly, the closer to the City you get the greater the enthusiasm for high-speed rail. We are a big region, so we have to work hard with colleagues in the shires to try to explain what benefits that brings. We have rapidly got to a place where business, local authorities and passengers are behind this as a priority. It is controversial, for all the reasons we know, but, in terms of how important this is in our transport list, Birmingham airport and

high-speed rail are probably the two big expansionist transport schemes that we are all agreed upon.

Q30 Jason McCartney: But how do you make sure you have a unified voice in this when communicating and engaging with the public, so that you do not have all these different viewpoints?

Jerry Blackett: It is hard to hold the airwaves with the public. Through the business organisations we can rapidly get a shared view.

Q31 Jason McCartney: From your side of things, when on “Midlands Today”, or whatever your regional news programme is called, David Higgins is talking about building from the north, which might have implications, whose voice will be talking about local investment?

Jerry Blackett: I do a fair bit of the fronting-up of high-speed rail on behalf of business; there are the leaders of course and the passenger groups.

Q32 Jason McCartney: There are lots of different voices giving slightly different nuances.

Jerry Blackett: As long as they are saying broadly the same thing—

Q33 Jason McCartney: Are they saying broadly the same thing on the big decisions?

Jerry Blackett: I think that on the big decisions they are saying that we need this new rail capacity. I wish we had not talked about speed so early, because that became a distraction; people thought, “Why are you spending this money for 20 minutes?” It is all about capacity. When you get that discussion going, it is now beginning to seep into the general consciousness that we need rail capacity, and high speed is the answer. Then there is the whole procurement and jobs argument.

Q34 Jason McCartney: But who takes the lead in public engagement and communicating with the public?

Jerry Blackett: The agencies and as many business people as we can get to stand up and speak about it—for example, the chief executives of NEC and the airport. Some of the businesses that have national franchises are in a difficult place, because they know they have customers, say, in the Chilterns for whom this is a difficult topic, and yet they have operations in the midlands for whom it is a big requirement. Sometimes it is the chamber that has to say these things, because businesses are not always in a position to be able to do it. The chamber has done an awful lot of leadership around high-speed rail.

Q35 Jason McCartney: Councillor Fender, are you the voice of this in your part of the world?

Councillor Fender: I am one of the voices. We have a very strong voice in the leader of Manchester city council, who has taken a very significant personal interest in it. We have the business community, particularly through the chamber, and numerous other

individuals. I am not pretending that there are not people who have contrary views, but the overwhelming majority view is in favour of HS2. From our point of view as the transport authority, we are very keen to make sure that we secure the benefits of it as soon as we can. That means we need to make ourselves ready for it as soon as we can.

Q36 Jason McCartney: This is about local decision making in public transport. I am just wondering who the public come to in terms of engagement if they are unhappy with HS2, or for it, or if they are unhappy with the rolling stock on the TransPennine Express, which affects my area as well. Is it you who gets inundated in your part of the world?

Councillor Fender: I get a lot of inquiries about very many things. In terms of HS2, one of the particular aspects for us as a combined transport authority and city council was to ensure that we put forward the argument very strongly for a station close to Manchester airport. Originally, that was not the case. We secured a very wide degree of support for that. It is being planned on that basis. The HS2 organisation itself has had an increasing amount of engagement locally, and we welcome that.

Q37 Jason McCartney: Maybe I will bring in Mr Wills and Mr Jarvis. Do you look jealously at London, in that Transport for London is one unified structure, with the Mayor talking about all the good and perhaps some of the bad things happening in transport? We have done an inquiry on cycling, so we know it is the Mayor's department. Is that how you see it? How unified is the voice?

Richard Wills: As a public servant, I am always very careful not to put words into politicians' mouths, but having a single voice is clearly helpful, if there is one. I think it is more important to make sure that the voices that speak have a valid point and that point is taken into account in decision making, so that good decisions are taken, having heard the different constituencies. There are differences from a business perspective, which is what I think LEPs are looking at primarily. It is right that LEPs give that business voice, but there will be others concerned with the environmental benefits, which are equally valid, and then it is the job—I am afraid—of politicians to balance that out.

Q38 Jason McCartney: Mr Jarvis, do you have any thoughts on public engagement and having one voice?

Stuart Jarvis: I think that our situation is very similar to that articulated by Richard. Most people recognise that a county council is the highway and transport authority in my part of the world, so most of the letters end up on my desk—thankfully not about HS2.

Jason McCartney: Lucky you.

Stuart Jarvis: Do I look on London with any envy? Possibly about the range of powers, rather than the single voice.

Q39 Jason McCartney: If you have the powers, it gives you the voice.

Stuart Jarvis: Indeed; it gives you the ability to deliver on a wider range of things directly.

Q40 Karen Lumley: How much engagement does HS2 Ltd have with the LEPs?

Jerry Blackett: It is massive. We run towards HS2 Ltd. They joined the chamber of commerce. We are trying to make sure that the procurement opportunities for local businesses are seized, so it is important to me to be as close to them as possible.

If I could make a point about procurement generally and local connectivity—this is perhaps Mr McCartney’s point as well—to bring HS2 alive to as many people as possible, being able to map out local connectivity to stations is now the big challenge. We have £2 billion worth of connectivity schemes. As we start to tell those stories, people see that their local journeys are going to improve, and even if they do not want to use the new railway they will have better local services. You bring two big stations much more alive. It brings us back to why we are here today. The local connectivity package is compelling, but it is £2 billion and we have to work with Government hand in hand to devolve the powers to get that connectivity, but we are working extremely closely with High Speed 2.

Q41 Karen Lumley: Councillor Fender, do you want to add anything to that?

Councillor Fender: I agree entirely with that.

Q42 Karen Lumley: The LEPs are quite new. How are they held accountable to people?

Jerry Blackett: We have set up a supervisory board. This democratic deficit has been a problem for the west midlands. We do not have a combined authority. You have to make the wealth before you spend it, so we always felt that having business there making the money and the leaders next to us did not seem a bad solution, but in order to deal with the democratic deficit we have created a supervisory board of leaders who now sit above the LEP and to whom the LEP is accountable. I suggest that that has dealt with the democratic deficit. The issue for business people is: does that dilute the drive and freedom of the LEP? It has not, because the leaders on the LEP board are the same as the leaders on the supervisory board. They have shared the journey, so it would be odd if they suddenly came into conflict with us. That is how we have had to deal with it.

Richard Wills: In the Greater Lincolnshire area, the business community recognised very early on that they did not have that democratic mandate, and therefore wanted to understand better how local government worked, with local authority representatives. In the emerging governance system I think there will be a leaders board, not above the LEP but alongside it, where there are some of the democratic issues that business people recognise. They are very cautious and feel a bit nervous about handling public money, so understanding how local authorities can help them with that is important. One of the problems is that LEPs do not have a direct route to the people, only through appointed local authority members. I think that is recognised, and we are doing our best to make the business of the LEP more transparent. There is a difference in culture. The private sector members are used to taking decisions in a boardroom behind closed doors and are finding the process of doing it in an open environment more difficult, and local authorities are playing their role in helping them to understand that.

Chair: Thank you very much for answering our questions.

Examination of Witnesses

Witnesses: **Professor Francesca Medda**, Qaser Lab, University College London, **Councillor Heather Kidd**, Deputy Chair, Local Government Association Economy and Transport Board, **Jason Russell**, Chartered Institution of Highways and Transportation, and **Jonathan Bray**, Director, pteg Support Unit, gave evidence.

Q43 Chair: Good afternoon. Welcome to the Transport Select Committee. Could we have your names and the organisations you are from?

Professor Medda: I am Francesca Medda from University College London.

Jonathan Bray: I am Jonathan Bray, director of the pteg Support Unit.

Councillor Kidd: I am Heather Kidd, councillor for Shropshire Council but on the LGA.

Jason Russell: I am Jason Russell, and I am representing the Chartered Institution of Highways and Transportation.

Q44 Chair: Thank you very much. Do you think that the public understand the differences between local enterprise partnerships, local transport boards and local authorities, and does it matter? Councillor Kidd, what is your view on that one? Do you think people understand what the different organisations are?

Councillor Kidd: They do not even know they exist. The buck always stops with local government, and that is what they understand. They understand who they elect, who is in the county council, the unitary council or whatever. If you asked most members of the public what a LEP was, they would not have a clue.

Q45 Chair: Mr Bray, what is your view?

Jonathan Bray: I agree.

Q46 Chair: Does it matter?

Jonathan Bray: Yes, ultimately, it does matter. We are in a devolutionary process in England, outside London, but it is very slow, messy and complicated. In a city region you may have one or more LEPs, one or more elected mayors, a PTE, an ITA, district councils and a local transport board—I may have forgotten some other entities. In a city region the people who actually run the buses are private companies, and rail services are mostly the products of decisions taken in Whitehall, so it is quite a confusing picture.

As to what the public respond to, in our areas they have recognition of the role of the passenger transport executive. They recognise the TfGM symbol in Greater Manchester, or Metro in West Yorkshire, as the body that knits together the transport network as a whole. Those kinds of entities make sense to the public, in that they have the right geographical scale, the right responsibilities and a degree of democratic accountability. Those kinds of bodies will endure as we go forward, because that is always the case in governance.

In moving towards a combined authority model, it may have a low level of recognition but people will recognise that city leaders are on it. An executive body to carry out decisions on transport, like a PTE or a successor body, is something the public can relate to and they have some understanding of that at the moment.

Q47 Jim Dobbin: The point you made about the public's understanding of the public sector and the provision of services is probably a pretty accurate picture. We understand that the Government are planning to combine transport funding in a single local growth fund after 2015. What effect do you think that will have on your services?

Jason Russell: We see that as a positive step forward. Bringing funding together can only help. I think it comes back to the points raised earlier about the need for a clear, consistent and joined-up strategy. That is helped if it is matched by funding. There are still things that will sit outside the single local growth fund. It was mentioned earlier that there are other agencies involved in helping to deliver some of the infrastructure—for example, the Highways Agency or Network Rail—and how we work together is still going to be very important. However, I think the single local growth fund is a positive step forward, and it can only help us as we try to move this on.

Councillor Kidd: I have some concerns about the local growth fund. The LGA is doing quite a lot of work on this, but the major problem is that the pot is not very big and does not represent anything like Heseltine wanted. It takes a lot of local government money out of the system—it is not new money—and there is quite a complex bidding system into it. There will always be winners and losers. Our fear is that if you get no money you get no money and there is no development, and certain authorities will have lost quite a lot of money out of it, so a clear system and a system of equality would be very useful.

Q48 Jim Dobbin: Councillor Kidd, are you saying that local authority highways departments are going to have their budgets affected by all this?

Councillor Kidd: Yes, absolutely.

Jonathan Bray: The other thing is the scale of the fund; it is £2 billion as opposed to Heseltine, who is talking about £49 billion. Local transport is the biggest contributor to the fund by quite some margin, so there is concern about the potential for transport to lose out, because if other Departments put in small amounts it is unlikely they are going to contribute further, compared with transport.

We also need to look at the backdrop of transport spending as a whole. Since the 2010 spending review, local transport spend outside London, when compared with National Rail, national highways or transport spending in London, has done most poorly. We saw things like the integrated transport block cut by half in that spending review. We recovered some in the last spending review, but we are the biggest contributors to the single pot, so we need to look at that in the context of what has happened; overall, more priority has been given to national transport infrastructure and transport in London than has been given to local transport spending in the rest of England.

Q49 Chair: Professor Medda, could you give us any examples of private sector funding to support local transport projects?

Professor Medda: Certainly. This is a major part of my research. At the moment, the market in general has great interest in transportation infrastructure in general, so there is a certain level of liquidity available for investment. The problem is that private investors see the opportunity, but the risk is too high at the moment. I will explain a little exactly what I mean. At this moment the local authorities and the transport boards that we are talking about will have to look at different types of finance, so different elements have to be combined. To put different things together you have to have capability to run financial instruments. This is my opinion. I am sorry for the people who were here before, but in some ways they have already given the view that there is not yet that capability. You are asking for a shift, but the shift is quite big and it is too fast. You are asking people to move from dealing with cash money, in a movement from transport investment to capital investment, and also asking them to be very good at attracting the private sector. These are quite complex things.

Of course, there are many examples, but when I give the example that in Sweden they have this and in the United States it is like this, we immediately have what we call the diet effect. The diet effect is this: now it's May and in June you have to go to Spain. You try on your bikini and you are too fat, so you say, "Okay, oh my God. I have to get slim." The first thing you do is look at the newspaper and you see the classic advertisement: "Charlie lost 20 kilos by following this diet." Of course, in your mind you do not want to diet, so you say, "I'm not going to do that diet. My problems are different." When you talk with politicians and local authorities they always say, "It's interesting, but the context is different. This is not Sweden or France. We are not in the United States. They are different systems," but I think that fundamentally it is the same, because to be able to do that it is necessary to be prepared.

Q50 Chair: Which countries should we be looking to? Are there any examples?

Professor Medda: There are many countries you can look at: the United States and crowd sourcing, for example. It is something very strange; all of us can invest in something. Crowd sourcing works for cities, so they are creating crowd sourcing for cities. It is something we could never imagine 10 years ago, but it exists. Municipal bonds are back in place and revolving funds; it is fine. All these things require you to be quite rude—to have quite good processes, to do due diligence, for financial instruments.

Another peculiar aspect of this transport body is that, if you want to attract investment and diminish the risks in investment, the easiest thing is to connect, as the gentlemen said before, and above all, create interdependencies in infrastructure. Infrastructure is physical proximity, but also operational proximity. If you make a road, you can also use the same construction to make a line for electricity. We read all the documents from the Treasury and about pollution and so on, but they are not applied. It is evident from looking at the investment done by the local transport body that 50% of it has one of the characteristics; the majority are road or rail, so there is no diversification in their portfolio.

I understand that we are in transition, but it seems strange that you want a shift by local authorities but you did not give them the tools to make a big shift. I would not have called it a local transport board; I would call it a local infrastructure body. That would have been my idea.

Q51 Chair: Do any other panel members have a view on how we can bring in other funding, or why we have not done it much up to now?

Councillor Kidd: The Local Government Association has recognised the importance of alternative sources of funding, and has been working for some time on a municipal bonds agency. That is going to the LGA executive for adoption and approval later this spring, for it to be launched later in the year. At the present time 21 councils are committed to taking part in that, and around 40 altogether are talking about it. Yes, it is a small number at the present time, but it will provide quite a pot. If you want, I could name you some of the councils that are already committed.

The point is that it should bring together a pot of money, which will reduce the cost of borrowing, if at all possible, and also provide an alternative source of capital. At the moment, 75% of local authority borrowing comes from central Government—the Public Works Loan Board—so this will be an alternative to that. It would also give a good return to the investors in it, so it is a win-win for a number of people. The Local Government Association thinks it is something that is very important, and many councils are very interested in taking part in it.

Q52 Chair: Mr Russell, does the chartered institution have any views about bringing additional funding into transport projects?

Jason Russell: There is a real need to be very clear about the benefits we expect all of this to deliver. If we can have greater clarity and more single vision about the benefits that will be delivered from it, we have the greatest opportunity to attract funding from a wide range of sources, both public and private. Some challenges still remain about the different parts of the infrastructure we are talking about, and how you can combine them in such a way that we have the clear single benefits that we are going to provide, which then means that we can present a strong case for why funding is going to be beneficial and why it should be put into infrastructure.

The other thing that local authorities particularly struggle with is that we have a range of funding arrangements that cover different parts of the infrastructure, and they are not connected either. Mention was made earlier of the disconnect between maintenance of what we have currently and the funding for new infrastructure, which is largely what the single local growth fund will deal with. There should be greater clarity about those two different streams and how they can be brought together, because it should be borne in mind that the loss of infrastructure can have as much of an impact on the economy as new infrastructure can benefit it.

What is very timely for local authorities at the moment is that we are going through some major infrastructure flood risk management. We also have funding that comes to us through flood defence grant in aid. Critical to unlocking growth can be issues around tackling the risk of flooding, which is a very big issue for us at the moment. That is coming through a different route—through a different funding body, often with different priorities and working to different time scales. If we can align this quite complex environment around a single clearer set of objectives that everyone has bought into—all-party buy-in would be critical—we are then in a better place to make a strong case for funding from a range of sources.

Q53 Chair: Mr Bray, do you have any views on how to bring in additional funding? Are there any barriers? Why has this not been done before?

Jonathan Bray: Local government needs as much flexibility as possible in terms of the range of funding sources it can go to. We have road-user charging in London and the

workplace parking levy in Nottingham, but it is always a challenge to bring in any of these additional revenue sources. Some will work in some areas, and some will not. The greater the flexibility in terms of the mechanisms that local government has the better, because some will work in some areas and some will not.

Q54 Chair: Is there anything the Government should do to make it easier?

Jonathan Bray: Sometimes, there could be a bit faster progress on some of the rules around the ideas; sometimes we get the ideas in a blaze of glory and then it takes the Treasury some time to agree all the details. For example, the West Yorkshire transport funds were predicated on a certain levy increase and then the changes made by the Secretary of State for Communities and Local Government capped that, much to the disappointment of people who had hoped that that fund would be able to be driven forward as soon as possible. There is a need for a joined-up process across Government as well—recognising that it is hard for local government to raise additional revenues—and for them not to get in the way, and to make sure the mechanisms are in place as soon as possible.

Q55 Chair: Mr Bray, you said in your submission that the Highways Agency has been a potential barrier to delivering local growth. Could you tell us what you mean, and whether you think the Government's plans for reform of the Highways Agency could solve that problem?

Jonathan Bray: It could, but I think the main problem has been the focus on national highways at the expense of local highways. The Government are putting a large capital boost into national highways, predicting a very large growth in traffic, but actually most traffic is not on the national motorway network; it is on local roads and in cities. If we are looking at an expanded national road network, where is that traffic heading? That needs to be looked at.

Another issue is silo thinking at the Highways Agency. In some ways, it is not surprising that they are called the Highways Agency; for example, when they are looking at options for expanding strategic road capacity, are they really looking with Network Rail at the rail alternatives? Are they considering other measures on local transport that you could take in local areas that would either complement or perhaps replace the need for that? I would not say that our members are saying that we have a terrible relationship with the Highways Agency, but there is a strong focus on big national highways issues, and local transport issues can be neglected, never mind the interface between the two.

Q56 Jason McCartney: I want to come back to Professor Medda. You talked about crowd funding and crowd sourcing, which I hear a lot about now, not just in terms of transport community projects; it can keep libraries open and it can build football stadiums. Can you please give me one example from the United States of a transport project that has been funded in that way?

Professor Medda: A specific transport project? Frankly, at this moment I cannot. If I make a mistake, I do not want to tell you something that is not precise.

Q57 Jason McCartney: So there isn't one.

Professor Medda: There are.

Jason McCartney: I think they are mythical, to be honest.

Professor Medda: No, they are not mythical.

Q58 Jason McCartney: I am not being funny, because everyone talks about this as a solution for keeping libraries open, building new bridges and funding rail projects. I want an example.

Chair: Give us an example of a transport project.

Professor Medda: At this moment I have forgotten the name.

Q59 Jason McCartney: So there isn't one.

Professor Medda: There is one.

Q60 Jason McCartney: Where? Do you know the city?

Chair: Professor Medda, could you perhaps write to us with some examples? I think that would be helpful.

Professor Medda: Yes, of course. The interesting point is that there are many cities that have combined. There are two factors that you obtain from this. It is not only that people who live in the city can provide the funds, but also that people like us, far away from the city, are part of this investment.

Q61 Jason McCartney: In theory, it sounds great, but I do not think it is happening on any kind of scale to make a difference. I would like it to, but time and time again I hear of these mythical projects somewhere overseas.

Professor Medda: Okay, let's put it on the personal level. The first one is very small. I invested through crowd sourcing in a new tractor that you could transform into a motorcycle. It was invented by a guy in India. He put it on the internet and said, "I don't have the money for the patent, and I need this amount of money." I will tell you how much I put in: £100. How much is my return after two years? It is £3. Okay; it is not much.

Jason McCartney: We might see you on "Dragons' Den" very soon.

Professor Medda: But if that happened in cities, if in some way you pay for your infrastructure, for example, you have a sort of ownership of the infrastructure, and also you start to use it.

Q62 Jason McCartney: But has it happened anywhere?

Professor Medda: I will send you something.

Chair: Would you send us some examples?

Professor Medda: Yes.

Jason McCartney: That is my question. I will sit back.

Q63 Mr Sanders: In terms of funding, each year local authorities put in bids for transport grant and rarely—certainly in the experience of my local authority—do they get everything they want. Sometimes they do not get anything at all. In terms of a model, is a bidding process of that nature really the best way to fund local infrastructure? If not, what would be a better system?

Councillor Kidd: The LGA believes that it would be much better to bring it down to a much more local level where we are all sitting at the table together rather than having a very strong leader at the table telling everybody what they are going to do. For instance, at the present time the Highways Agency only consult us after they have come up with a scheme, which is a bit late. Since they have £15 billion for 2% of the road network and we have only £13 billion for the rest of it—98%—we do not have much of a say. We need equal partnership at the table so that we can have a local impact on whatever is going to happen in our area. At the moment that just does not work. A really good example of this is Cornwall where Cornwall council wanted to upgrade a section of the A30; their estimate of the cost was £20 million less than the Highways Agency, so there is every reason to work together.

Q64 Chair: Thank you very much to all of you for coming. All right, Mr Russell; we will let you answer before we move on.

Jason Russell: In terms of managing and delivering a programme of work, clearly it is not the best way; when the competitive processes are run on short time frames, they are very difficult for local authorities, and they can be quite resource-intensive. A lot of that resource will be wasted, but if you then try to deliver a complex programme of infrastructure, planning it on an annual cycle is no good for the local authorities, consultants and contractors who are trying to deliver it. All those parties need to have a longer-term view of what is going to happen if they are going to make the right decisions, invest in the right things and deliver it all much more effectively and more efficiently. Short time scales are a real problem for the sector.

Chair: Thank you very much, and thank you to all of you for coming to answer our questions.

Examination of Witnesses

Witnesses: **Baroness Kramer**, Minister of State, Department for Transport, and **Stephen Fidler**, Deputy Director of Local Transport Funding, Growth and Delivery, Department for Transport, gave evidence.

Q65 Chair: Good afternoon, Minister. Welcome to the Transport Select Committee. Could we please have your name for our records, your position and the name of your colleague?

Baroness Kramer: I am Susan Kramer, Minister of State for Transport. Good afternoon to the Committee.

Stephen Fidler: Hello. I am Stephen Fidler, head of local transport funding, growth and delivery at the DFT.

Q66 Chair: Thank you. Did you want to make any statement?

Baroness Kramer: I think we agreed with your Committee that it would be better to give the time over to questions, and we are delighted to do that.

Q67 Chair: Thank you very much. Could you explain to the Committee the current structure for local transport funding and decision making? Who takes the decisions, and who gets the money?

Baroness Kramer: A large part of the current structure leaves decision making in the hands of, effectively, Whitehall. If I were to look at one of the largest programmes, the local major projects programme, which for 2015 is put in for £819 million—a very substantial programme—at present the decisions for that programme are largely made by Whitehall Ministers. They are responsible for the individual schemes, the decisions, the funding and the grants.

As we look forward, we are stepping away from that structure in two ways. One is how the underpinning of direction—the lens through which we look at a large piece of transport funding—contributes to economic growth. That means two things. First, there is the breaking down of traditional silos between Departments—say, transport, housing and skills—because very often a process of trying to build economic growth involves blending all three rather than looking at separate silos. Secondly, there needs to be a lot of devolution of the drivers behind that towards local communities. Initially, we looked at doing that in the form of devolving the money for major projects to local transport boards, but those will be subsumed into the LEPs. That has been somewhat superseded by the local growth fund, and that is where we are today, essentially.

If I were to give you a breakdown in funding—I wish we were able to hand people charts, because often that makes it easier—as we move forward under the local growth fund we will have going out, in a competitive arrangement, about £1.1 billion that previously had been dedicated solely to transport. Those are the local major projects of £819 million, where we have been essentially the key decision makers. I am going to make sure Stephen stops me if I go wrong. There is £200 million from the integrated transport block, which had always gone to local authorities but now will be in this fund, which is very driven by LEPs; and there will be £179 million for the local sustainable transport fund, of which £100 million—that is the capital element of it—had come from local communities but with all the decisions being made by the Department for Transport. That goes into the local growth fund as well. Remaining outside the local growth fund, we still have highways maintenance and an integrated transport block, those two together adding up to £1.2 billion. Does that help?

Q68 Chair: Yes. I want to clarify something you said. Did you say that the local transport boards would be subsumed into the LEPs?

Baroness Kramer: One way or another, they are being integrated into the LEPs. Some LEPs may choose to keep them as local transport boards. I will go to Stephen who may know more about it.

Q69 Chair: Are they all going to be two separate bodies?

Baroness Kramer: They will not necessarily be two separate bodies.

Q70 Chair: Who will decide that?

Baroness Kramer: The LEPs will decide that.

Stephen Fidler: There is flexibility.

Q71 Chair: Mr Fidler, could you explain to us how you see the future?

Stephen Fidler: Certainly. The decision that the Department and Government have taken is to ask each LEP to set out very clearly the governance arrangements it is going to put forward to make sure that the outcomes we want to see on governance are achieved. They have the freedom and flexibility to do that either by maintaining the local transport body as part of their own structure or, in some cases, broadening it so that it covers local transport; the same kinds of rules apply to housing or to other initiatives. In some areas they are changing the arrangements quite considerably. The core principles of wanting to have a clear system for how decisions are going to be taken and accountability by the LEP will stay, but it may well vary from place to place.

Q72 Chair: Will the Department have to approve the arrangements?

Baroness Kramer: The Department will not have to approve them. LEPs can choose their own structures, but as they come forward with projects for the local growth fund, one of the criteria we will be looking at is delivery and risk, which means they will have to have in place a governance structure that we are convinced can deliver what is needed to make sure the money is spent properly and on time, that there is a mechanism for identifying risk and managing it, and that there is effective implementation. We are giving them a lot of flexibility to choose their own way of doing this, but as we look at the projects, we will need to be convinced—not just me, but all the Departments involved in this process—that the governance, delivery and risk management are all there.

Q73 Chair: Which Government Department will be responsible for economic growth? Will one Department take the lead, or will arrangements change?

Baroness Kramer: This is very much a cross-party body. The Cabinet Office with Greg Clark as the cities Minister has been playing a leading role in this; BIS is also playing an absolutely key role, and also DCLG and the Department for Transport. We are major contributors to this fund, because we have chosen to put a lot of our funding into the growth fund as the mechanism to get it out into projects.

Q74 Graham Stringer: Why do you think that a Department that has made such a hash of the west coast main line, costing the public sector possibly £100 million—maybe more than that—by getting it wrong is competent to judge the efficiency and effectiveness of local democracy and local government?

Baroness Kramer: I do not deny the problems that happened with the west coast main line, but if you speak to your local LEPs and your local authorities, I think you will find that there is in fact great respect for the Department for the way it has managed a wide

range of projects. Some of the things we have done within the Department are to try to strengthen areas of decision making—for example, the new structure for the highways authority. Inside the rail arm of the Department for Transport, we have a new rail executive, so we are making changes in response to the problems that have happened, and also taking a broader look at how we can strengthen decision making in the right places. When you go out and talk to local authorities, I think you will find there is a great deal of respect for the way many of these projects have been managed over the years.

Q75 Graham Stringer: I do not find that at all.

Baroness Kramer: We are talking to the same authorities.

Q76 Graham Stringer: I have some experience in local authorities and that is not my experience. When it comes to light rail, heavy rail or buses, central Government interferes too much. We just disagree on the facts. We can establish that. Is there not a contradiction in the answer you have given? You are saying that you want to devolve responsibility and, in the same breath, you are saying that you want to control what is going on and make sure it is there, whereas the Department has a pretty well-established record of being useless in managing its own money.

Baroness Kramer: I suppose I can speak only for the Department in this Government and not a previous one.

Graham Stringer: Let's talk about this Government.

Baroness Kramer: Where I would disagree with you—I may not have spoken clearly enough—is on the issue of control. There is a feeling that a significant amount of control needs to pass to local authorities, which is why we are not coming up with prescriptive ways, saying, “You must do your delivery, risk management and governance in this way.” What we say is that we have to be able to look at that and be convinced that all those things are going to be done well. It comes from a basic responsibility; this is spending the taxpayer's money, and we have an obligation to the taxpayer to make sure that their money is well spent.

Local areas will choose to set this up in different ways. We are trying to get away from being prescriptive and away from any kind of box-ticking environment, but what we must do, because it is part of our responsibility to the taxpayer, is feel assured that this is a structure that can work effectively.

Q77 Graham Stringer: Can you explain the thinking behind the disproportionate amount of money that goes into London when you compare transport expenditure on a per capita basis with the rest of the country?

Baroness Kramer: I will send you something more comprehensive about this, because it is not something I have looked at in a detailed breakdown, unless Stephen has something here that will help. We have a capital city with a very large number of people, and the complexities that come with a capital city. We also fund via the Mayor's office. I think the arrangements for London reflect a lot of those capital city problems.

I suspect that one of the things driving the numbers you are looking at would be the large capital projects: Crossrail, Thameslink and various investments in expanding the underground. I think we can say that those capital projects have been significantly weighted towards London, but what is very interesting, if you look at the plans for Network Rail, for example, is that there is a great deal of investment as we go into electrification outside London. The new route-based strategies are again very much focused outside London. HS2's most important contributions will be outside London. There is a very different way of looking at transport funding if you look forward rather than simply backwards. That is important in the rebalancing.

One thing about the local growth fund that is particularly important is that it gives a real opportunity to local communities, with the LEPs, who are business-driven, playing a very significant role, to come forward with much more transformative plans to be able to drive economic growth in their area, with transport playing its role within that.

Q78 Chair: Part of the local growth fund will be a competitive fund, will it not?

Baroness Kramer: There is a strip of it that is not competitive.

Q79 Chair: Yes, but on the part that is competitive could there be any assurance that it will look at the needs of different areas and not gravitate to London again?

Baroness Kramer: London is not included, so it cannot gravitate to it.

Q80 Chair: And the south-east? The south-east is included.

Stephen Fidler: The south-east is one of the 39 LEPs, as is London. As the Minister says, the transport funding for London is not included in the growth fund.

Q81 Chair: But the south-east is. The issue is that, on the competitive aspect of this fund, how can there be an assurance that the needs of local areas will be assessed properly when it is in a competitive system? It is the nature of the competition.

Baroness Kramer: I understand that. To step away, there is an allocation that has gone to every area, in part so that there would be a hiatus and they could plan, so you understand that. It is running at about £250 million a year. There is also the tail of previous projects. When you look at the competitive part of this, the criteria have been very clear. It is going to require LEPs to come forward with transformational projects. We are looking to them to bring in investment from other sources in order to leverage up the money that the taxpayer is putting in directly through the fund. We want to see how those projects tie into and support the overarching picture of economic growth that the LEPs have put before us, and also we need to make sure that governance and risk management are in place.

I am expecting very strong authorities, or very strong LEPs, from across the country to come forward with very effective plans and proposals. They will be prioritising those, so they will be scaling them, and we will have a very strong pool of projects to look at. We will look for the projects that contribute most, and meet the tests of ambition, rationale for intervention in the local area, value for money, which is absolutely important when you are spending taxpayers' money, and the ability to provide delivery and manage risk. I see nothing within that that biases towards the south-east. It will be the imagination and

capacity of the LEPs in bringing forward effective projects, working with their local authorities and other stakeholders, that will very much drive the outcome.

Q82 Jim Dobbin: It is good news, Minister, that the midlands and the north of the country are going to benefit from these changes. I spent some time in local government as well, and I agree with Mr Stringer's reading of the situation; continuity and stability are very often much safer. On the LEPs and the local transport boards, how accountable are they going to be?

Baroness Kramer: The LEPs have representation from their local authorities, but in a very practical way, to try to bring forward effective projects in the framework of the local growth fund, it is absolutely essential for any LEP to involve its local authority; they will usually provide the financial accounting and they are very often deeply engaged in the delivery. As we look at the most effective LEPs, they are deeply engaged with their local authorities, as well as with their business communities and other stakeholders. The way LEPs are evolving, driven by the kinds of opportunities provided by the local growth fund, has made sure that they are working with the democratically accountable bodies, and have made sure that those bodies have a strong voice, because it is very much a partnership. Would you say that is true for the ones you have looked at, Stephen?

Stephen Fidler: I would. We have been having sessions with the LEPs, and in virtually all of those—and absolutely every one that I have been to—the local authority has been round the table. It tends to be the local authority transport officers who lead on the transport side of it. The bottom line I have seen is that, when we come to look at delivery of the projects in assessing the strategic plans, it would be very hard for any LEP that is not working effectively, and has that democratic buy-in for the projects it is putting forward, to score well on its delivery.

Q83 Jim Dobbin: So we are saying that all taxpayers will be happy with the new model that is being set up.

Baroness Kramer: I want to be happy with the new model as well, and I certainly would want to make sure that taxpayers get value for money out of the project. We have been very clear that we expect the local growth fund projects to meet a high standard. The Department works very closely with the LEPs, particularly around the transport projects. We had a team meet every single LEP and spend time with them, making sure that they are comfortable and can make the best kind of bid they can possibly structure. We have been very supportive in that process, but part of it is making sure they are really engaged with their local communities. That is an important part of what they do. They are not going to have good bids if they have not been doing that.

Q84 Jim Fitzpatrick: Minister, it is nice to see you this afternoon. Forgive me, can I go back to a question the Chair raised? I am not sure that I heard the answer correctly. In terms of who is leading within Government, your answer was that it was cross-party, and then you listed a whole number of Government Departments.

Baroness Kramer: No, just Departments.

Q85 Jim Fitzpatrick: Yes. That begs the question: is it a Cabinet sub-committee or a cross-departmental committee? Which Department chairs it, and which Department is the biggest financial contributor?

Baroness Kramer: I am so bad at bureaucratic-speak. I just think of it as “the committee.” Do you know which style of committee it is officially, Stephen?

Stephen Fidler: It is the Local Growth Cabinet committee.

Q86 Jim Fitzpatrick: So it is a Cabinet sub-committee.

Stephen Fidler: Yes.

Q87 Jim Fitzpatrick: So the Cabinet Office chairs it.

Baroness Kramer: The Cabinet Office chairs it, but all of us in the different Departments have been playing a role. I have gone out frequently. Because of my other responsibilities, I cannot go to every one of the meetings that Greg Clark has been having with the LEPs. Michael Heseltine has frequently gone out; I have gone out to a number of them, or followed up and talked to LEP chairmen on the phone, so the Department at my level has been engaged. As you can hear, the Department for Transport has met every single one of the LEPs to talk through their proposals and make sure that they can be as supportive as possible. We have often followed up with phone conversations. It has not just been meetings; it has been more than that. It is not us attempting to dictate; it is us being available and being engaged in this process. Obviously, a very significant amount of the money going into the overall fund has come from the Department for Transport, because we see it as the way in which to leverage the value out of the significant amounts of money we put into transport. It is recognition that transport and growth are really interlinked.

Q88 Jim Fitzpatrick: In terms of the very significant amounts of money in the overall budget, does DFT contribute 50%, 75% or 90%?

Baroness Kramer: I think we are running at about 50%, aren't we?

Stephen Fidler: It is 50% or just over in the first year, 2015-16, and we are also the only Department that has put in a long-term budget, but that reflects the value of the settlement.

Baroness Kramer: We have been assured that the other money will be coming in the budgets.

Q89 Jim Fitzpatrick: I think it was Professor Medda who said it would perhaps be better described as, or better oriented as, a local infrastructure growth fund rather than a local transport growth fund. Would you agree with that suggestion?

Baroness Kramer: The only thing that is different is that, obviously, housing could be described as infrastructure. I am sure that will be playing an important role in many of the schemes that LEPs are bringing forward. Interestingly, so are skills. That, in a sense, does not fall within the standard vision of what infrastructure is. Some would argue that philosophically you could regard skills as infrastructure. The reality is that it is a capital fund, but I think it is broader than the traditional notion of what infrastructure is, and that

is important. Developing opportunities for small businesses and so on often goes beyond the notion of what an infrastructure fund is about.

Q90 Jim Fitzpatrick: Given that there will never be enough money to satisfy every bid for every project across the piece, how do you square that circle within the joint committee? Are the LEPs involved? Is there a consensus arrival point as to which projects should be funded and which should not be? Is there a marking plan as to where the line is drawn, and what above the line gets paid for and what below it does not?

Baroness Kramer: The LEPs will not be involved in the assessment process, other than that there will almost certainly be constant iteration. These are highly complex proposals; there will be questions that we want to ask and there may be changes LEPs make if they realise there is a weakness that could be remedied, and so on. There will be something of an iteration in the process. We want these proposals to be as strong and as good as possible, but the initial assessment will be by Ministers from the Departments but then engaging the wider Government. This is a collective decision at the end of the process. That is probably the best way to describe it.

Jim Fitzpatrick: Thank you very much, Minister.

Q91 Chair: Would the Department intervene in ensuring that a necessary local scheme that was strategically important for the area as a whole but was not contained in the LEP's programme was implemented? Suppose an area was looking at access to its port, which was important regionally as well as locally, and a local road was required but it was not wanted by local people and was not prioritised by the LEP, yet clearly it mattered in terms of the regional significance of the port. Would the Department intervene in a situation of that sort?

Baroness Kramer: It is not the role of the Department to impose a project choice on the LEP. There is obviously engagement with the LEPs, and we have encouraged them to talk to each another, because you are right: quite often there may be projects that go beyond the boundaries, so it makes sense for them to work together. I have talked to several LEPs that are working with their neighbours to see the most effective way to put forward a far more comprehensive plan. We will have an element of that, but this will not be a Whitehall-imposed, "We want this project. Therefore, you will do it within the local growth fund." Do understand that there are other moneys available outside the local growth fund.

Q92 Chair: It is not the money. Does the Department think it should have a role in ensuring that the strategic importance of local transport schemes is realised? For example, would it be seen as a responsibility of Government to ensure there was adequate access to ports? I am giving that as an example.

Baroness Kramer: I understand that you are giving it as an example. First of all, that is not the role we intend. There is constant engagement with the LEPs, and it seems to me that local people are very good at understanding. Remember, it is not just local people as in, "Are there votes in it?" The business community is engaged as well in this process, through the LEP—a broader group of stakeholders—and are very good at recognising

projects that are important to release additional business opportunities in their ports, or otherwise.

One of the things we also recognise is that there are many projects outside this; for example, the Highways Agency or Network Rail are working outside this context. This is not the one and only way in which projects are going to appear, but this is very much the local issue. I expect it to be driven locally, but there are many conversations around it. If a LEP decided, “We will not go this way”—presumably in taking that decision it would have the support of the local authority, because they are closely integrated and working together, and others—theoretically and hypothetically, we would not impose it. But I cannot imagine having a really productive opportunity missed by a LEP, quite frankly, in the ones we have seen.

Q93 Martin Vickers: Minister, you mentioned that the LEPs were putting forward some very strong and effective plans, but in the transport field do you think they have sufficient resources and expertise? Could I link that to a comment Mr Fidler made a moment ago? He said that they are heavily dependent on local authority transport officers, who can be torn between their council priorities and the LEP’s priorities, which may well be different.

Baroness Kramer: I will ask Stephen to make a comment in a minute, but I do not think we have felt that sense of tension. In looking at the LEPs, having an opportunity like this to deliver the projects that matter to local communities and their overarching goals for economic growth has encouraged the development of a real partnership. It is amazing what opportunity will do to persuade people that they can win-win by working together, and I think that is what we are seeing.

Obviously, LEPs are a relatively new structure; they are finding the most effective ways to work and how best to call on resources. They are going up a learning curve, so it is a real challenge for them to be able to deliver. We feel that they are moving very fast up that learning curve, and we are seeing everything going in the right direction at this point in time. We have had initial drafts, and we are expecting another round of SEPs from the LEPs by the end of March. All of that is moving in the right direction. I am not seeing the kind of theoretical conflict that you are describing. Stephen, do you have any thoughts? You have been talking to them.

Stephen Fidler: I have not seen that conflict in any significant way anywhere as I have gone through. The model for LEPs is that the central LEP is fairly light in terms of its resources and is drawing on its partners. In transport, that expertise happens to be in the local authority space; in skills or housing, it may well be elsewhere with the partners of the LEP. On the whole, I am conscious of the resource constraints and issues that some local authorities face, although not all of them; but a lot of the work they are doing for the LEP—for example, thinking up sustainable travel initiatives or pinch-point schemes that might be the right things to bring forward—would almost certainly be going on in some way anyway. It is partly about how that is feeding in and, coming back to the earlier question, it is certainly helping to strengthen the democratic link.

Q94 Martin Vickers: Moving back to the point Mr Stringer made a few minutes ago about resources perhaps being poured into London, the south-east and the big cities, my constituency is in the Hull and Humber city region. With the best will in the world, that is

never going to have the same economic clout as some of the other big cities like Leeds, Liverpool, Manchester and so on. Are you satisfied that the division of resources between the LEPs will sufficiently compensate the smaller areas?

Baroness Kramer: The distribution will not be on a head-count basis. One of the things we want to do is make sure we get the best use of the money involved. Other than the pre-allocated funds, we did not want to get back to the situation where you just get money by head count. Some of the rural areas have very significant local needs, whether in transport or housing—where it may be less—and certainly in skills. Therefore, they have real areas where they can come forward with very persuasive projects. There is plenty of scope for those outside the big cities.

We are providing the additional support we can—because sometimes big cities have more internal resources to be able to develop this—to make sure there is adequate opportunity for LEPs to put together a quality bid. I do not know what the profile will be; we have not yet received the projects, so we cannot stack them up and look at them. I would expect that areas outside, which in the past have felt they were left hungry, when they have really good projects, will start bringing those projects forward. That is my hope and expectation.

Q95 Mr Sanders: One of the aims and aspirations of the coalition is to rebalance the economy, moving it away from over-dependence on London and the south-east, yet the indicator of leverage in bidding does completely the opposite, because most private sector organisations that can add value are in London and the south-east, and some of the weaker economies do not have that developed private sector. One group of local economies that are even further disadvantaged are coastal communities, where the private sector is often very small family-owned businesses that do not even operate for 12 months of the year, so the idea that they can lever in and win in a bidding process places them at a disadvantage. Has the Department thought about having a fairer system for coastal communities?

Baroness Kramer: LEPs have quite a wide sweep. Many of them include urban, suburban, rural and even coastal areas, and they have representation typically from all of those areas, or certainly are engaged with all of them. In our discussions we have encouraged LEPs to recognise that they may have a few large iconic projects that they think are incredibly important for delivering economic growth, but we have also used many examples from the local sustainable transport fund, which I think has been a superb fund, where very small interventions have had very significant benefits. I am struck every time we go out and talk to LEPs how taken they are with those long-term sustainable transport projects. It has done a lot to clarify for people that small projects can have a big impact.

We have also pointed out that, in allocating a fund, one is likely to have a real mix of large and small projects, so that a bid which incorporates both in its priorities is positioning itself very effectively. That message has been really well received. We have not had a specific discussion on coastal communities, but I would have thought that, within the recognition that small projects can have a big effect, they may often be getting a voice well heard. But we have not seen those final lists yet, so I have to qualify it with that. Do you have any thoughts on coastal areas, Stephen?

Stephen Fidler: I would echo the points the Minister has made, and add that you could think of leveraging in the classic way you are talking about, in terms of significant private sector investment, but we are talking to the LEPs about it very much in terms of what

business and other opportunities would otherwise not take place if you did not do this. I think the potential to capture things like those smaller business benefits is very much there.

Q96 Mr Sanders: One of the obvious things about coastal communities is that they are at the extremity of the country away from the main centres of population, and therefore are the most dependent on having decent transport links. I just add that.

Baroness Kramer: Very often they have a tourist industry which, with improvements in transport, can see significant benefits. There you have natural leveraging of a project and outcome. I hope that the LEPs are closely aware of that, and they seem to be from the conversations we have had.

Q97 Chair: How will larger transport schemes be funded under this scheme?

Baroness Kramer: One of the reasons for not going to a system where every local authority just gets a per head allocation is that you end up with everybody getting a bit of something but not enough to do the big things. There is potential within the fund to do a number of big projects. We have done that in the past with our large local major transport schemes. I was trying to take a look at that and ask exactly this question; for example, the Blackwood and Fleetwood tramway upgrade of £68 million was done within that scheme. That is one of those that has been merged into the local growth fund, so there is going to be capacity to do some bigger schemes.

Q98 Chair: What would the process be? How would something be put forward? Who would do it?

Baroness Kramer: It would come forward as part of a bid. It may be two LEPs working together, depending on what the actual structure is.

Q99 Chair: Would there be funding to do that preparatory work?

Baroness Kramer: It depends on what you call preparatory work. The work to enable a project to be brought to the point where you can make an effective bid is being done by the LEPs and local authorities out of funding they have. We have not provided additional funding to them to design those projects, but I imagine that with a number of projects they will not be going into the ground immediately; they will have a preparatory stage that will be part of the overall project bid, if that is making any sense.

Q100 Chair: Then what would happen? Would those be part of the competitive bidding, or are they separate from it?

Baroness Kramer: It would be part of the competitive bidding process.

Q101 Graham Stringer: How many officials in your Department are communicating and liaising with, and monitoring, LEPs and local transport boards?

Baroness Kramer: We have a local engager talking to each of the LEPs. I don't meant that there is one per LEP—there is one per several LEPs—and then there are people at a much more significant level, Stephen being a good example.

Q102 Graham Stringer: If you do not know, you can send us a note.

Baroness Kramer: We could. Do you have a rough number in your head, Stephen?

Stephen Fidler: There is a core team of people in the local transport directorate who co-ordinate. It is not the entirety of people's jobs, but probably about six to 10 people are involved; the core team have some involvement. When we looked at the draft plans that came in from the LEPs before Christmas, I counted over 40 people across the Department, whether from the ports team, the Highways Agency, our rail team or indeed the HS2 team, who were involved in feeding back comments. We are mobilising officials from right across the Department to play into this to ensure that we are giving as joined-up and coherent transport input as we can.

Q103 Graham Stringer: If you could send us a note of the exact figures, that would be helpful. To go back to the economic growth arguments, traditionally the Department for Transport has assessed transport schemes by looking at cost-benefit. Where the benefit has been seen in time saving, it has been very difficult for the Department to be persuaded to try to capture the economic growth element from a scheme. You are saying you will do that. How will you do it? What percentage of the assessment will now be economic growth and what percentage will be the traditional cost-benefit analysis?

Baroness Kramer: We are trying to stay away from the formulaic; we want to be able to see that, as the LEPs work on their projects, they are looking for value for money. We have also made it clear to them that we want to see what the outcome is in terms of economic growth: for example, if putting in a project brings three or four small businesses into a particular area, if it provides housing which gives capacity for growth in yet another area, or if it is going to provide an opportunity for young people, or even older people, to acquire new skills, because skills are a key part of this. There is going to be an element of judgment in all of this, rather than trying to do it on a purely formulaic basis, weighting it by this and that process. We will have to be fair and explain ourselves, which is properly important.

Q104 Graham Stringer: In answer to previous questions and to this one, there has been a distinct lack of numbers. If you do not have numbers, it is difficult to assess whether or not you are being fair without any quantification. Let me put the question Mr Vickers and Mr Sanders asked in a slightly different way. London is always going to get a better return on investment, or in nearly every case, because it is densely populated and it is a vital economy. Manchester is going to do better than Hull and many seaside towns if you invest in transport schemes in terms of the economic benefit. How are you going to judge between those different schemes?

Baroness Kramer: Let me turn that slightly on its head. Value for money is one of the criteria but it is not a sole criterion, so that is important. Let me turn part of that on its head. One of the things that have interested me very much is the local sustainable transport fund, which has had small projects, not necessarily in the middle of an urban area by any means, that have delivered very high benefit-cost ratios. The presumption that it is always the big city with big iconic projects is not borne out by the experience we have had in the Department.

Graham Stringer: This is atrocious.

Baroness Kramer: It certainly is. If you look at some of the local sustainable transport fund projects, they have had BCRs of over 10 to one. There have been real live examples, in breadth and great variety, to show that often a small scheme can deliver a very significant benefit. Some of the areas outside cities may have large schemes, but be careful about the presumption that it is always better if it is in London or the middle of a big city. I do not think that is borne out.

Q105 Chair: How would you assess a scheme that might have an impact on local economic regeneration that perhaps is not as provable as a scheme in the middle of London, where there are lots of people and the evidence is very clear? What is going to be different about the assessment in the future from the assessment now?

Baroness Kramer: I would accept that it takes a measure of judgment. It is one of the reasons why there are several Departments engaged in this process, so we can look at it in the round. Very often what happens is that a scheme may be less beneficial from a pure narrow transport perspective but very successful in terms of housing or skills, or you end up with some flood defences. Looking at things in the round should break some of that very narrow silo-thinking which may have driven judgments historically.

Q106 Chair: Will the appraisal method be different for future schemes from schemes now?

Baroness Kramer: We are working on quite how we are going to put all of this together.

Q107 Chair: Is that not decided yet?

Baroness Kramer: We have the key framework, and that is absolutely important. That was published right from the beginning. Without that, you really could not go to the LEPs and say, “Go and develop projects.” As we start to look at these and compare them, there will be an element of judgment. We are not getting all apples, and then a bunch of all oranges and then a bunch of all lemons; we are going to be getting quite complex mixed fruit baskets. There is almost no way you can set down a template or formula that makes any sense whatsoever, so it is going to require a strong element of judgment, but using those basic principles as the underpinning.

Q108 Graham Stringer: If you accept that you will always get outliers—I was careful to say “in most cases” when I was comparing Manchester and London—in terms of cost-benefit analysis, and you want to redistribute economic benefit in this country and make it fairer so that you get more growth in the regions and less overheating in London, do you accept that you are going to have to use different criteria to assess those schemes?

Baroness Kramer: You end up in that situation if you have a very narrow formulaic set of criteria. I hope that we are using our judgment rather more effectively. I can see that Stephen wants to come in on this one.

Q109 Chair: Could one of you tell us whether the criteria for appraisal of schemes in future will be different from the criteria for appraisal of schemes now? If so, how different?

Stephen Fidler: The Department's guidance on appraisal was refreshed and republished about six or eight weeks ago. It was simplified, and really focused on the BCR being but one small element of this.

Q110 Graham Stringer: Have you shown it to the Minister?

Stephen Fidler: Ministers did approve that material, yes. If you look at the kinds of decisions we take, as the Minister says, for the local sustainable transport fund but also the pinch-point schemes that come within my area of responsibility, the decisions we have taken have been around the entirety of the business case. They have been about the strategic and economic case, looking in an unquantified way at whether we are convinced this will open up things like housing, job opportunities and other benefits, and about the financial case and confidence in delivery. For that scheme, only about 14% of the total assessment went on the BCR and the benefit. You will find that is different from the perception of how the Department has proceeded in the past. That is the kind of model we are taking forward, as the Minister says: a much more overall—I would not quite call it qualitative—look at the benefits in their entirety, not assuming that it can be brought down to—

Q111 Chair: It is helpful to know that. Will you be keeping information on future allocations and delivery, and will you be publishing that information in due course?

Baroness Kramer: We certainly must keep track. That is absolutely key. I am very concerned that, when you are dealing with a fund like the local growth fund, you do not want slippage. I have said to the LEPs, "If you say it's going in the ground in 2015, it's going in the ground in 2015, not, 'Oops! Let's re-profile it to 2017, 2018 or whatever else.'" It is really important we make sure that these are projects that can live up to the profile that has been provided for them. We need to monitor that closely and make sure it is happening, and of course it is part of our duty to report back to Parliament on those issues.

Chair: Thank you very much to both of you.